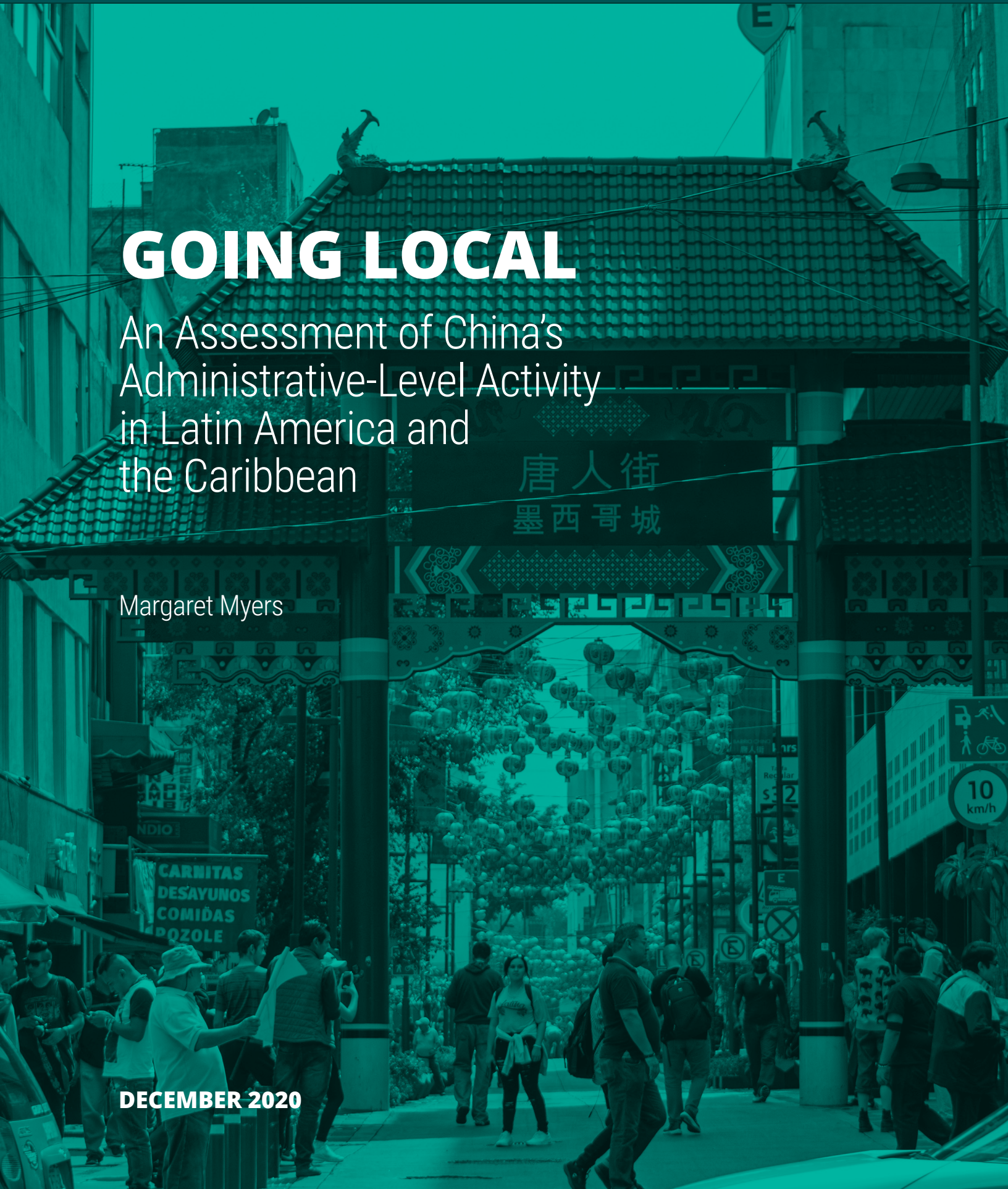


GOING LOCAL

An Assessment of China's
Administrative-Level Activity
in Latin America and
the Caribbean

Margaret Myers

DECEMBER 2020



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INTRODUCTION

China's approach to engagement with the Latin American and Caribbean (LAC) region has for many years been characterized by "extreme opportunism," with Chinese companies, banks, and diplomats identifying and pursuing prospects for enhanced economic and political ties wherever possible. Former China Development Bank (CDB) chairman Chen Yuan's ventures in Venezuela are among the more referenced examples of China's early opportunism in the region. Following investments by China's national oil companies in the country in the late 1990s, Chairman Chen saw an occasion for enhanced engagement with Venezuela, through tied, oil-backed loans, and facilitated by a permissive relationship with then-president Hugo Chávez, who met with Chen on the advice of Cuba's Fidel Castro.¹ Although they generated opportunities for Chinese companies in the country, CDB's many loans to Caracas neglected widely held international concerns at the time about Venezuela's contentious political climate and waning oil production capacity.²

China's overtures in Venezuela have since been characterized as misguided, even by Chinese analysts,³ and as being driven by a lack of viable investment options elsewhere in the LAC region.⁴ In the early 2000s, more favorable investment destinations were indeed relatively inaccessible to Chinese companies. Without the assistance of tied loans, which were of little interest at the time to Pacific Alliance (Chile, Colombia, Mexico, and Peru) and other nations, Chinese firms struggled to navigate the region's complex political dynamics and the sometimes restrictive investment regimes associated with the region's more favorable investment destinations.

Noting these limitations, and shortly after Chen Yuan's ventures in Venezuela, Beijing began promoting a "multi-tiered" approach to engagement with the region to

generate new pathways and opportunities for commercial deal making and political exchange—not just in countries with poor governance indicators and limited prospects for attracting foreign investment, but across the entire region, and at different levels of government. With this "multi-tiered" strategy in mind, Chinese government institutions, quasi-diplomatic actors, and commercial entities have engaged with LAC through a range of recently established formal channels, such as the regionally focused China-LAC Forum, a multilateral platform of China's own design.⁵ China and LAC nations also maintain a number of formal mechanisms for bilateral dialogue, such as the Sino-Brazilian High-Level Commission (COSBAN), as well as numerous local-level arrangements, such as the Cantonese Merchants Union of Latin America and the Association of Zhejiang Entrepreneurs in Mexico.

Another considerable portion of China's diplomatic outreach is relatively ad hoc, especially at the local (provincial/state or municipal) level. An extensive array of Chinese actors—commercial and public sector, central-government-affiliated and provincial—is engaging with LAC localities when and where opportunities present themselves, though generally with these actors' own missions and China's broader economic and political directives in mind. Chinese embassies and the China Council for the Promotion of International Trade (CCPIT) have been integral in identifying investment opportunities for Chinese companies and LAC public and private sector leaders with an interest in stronger ties to China. The Chinese People's Association for Friendship with Foreign Countries (CPAFFC) has developed so-called "twinning" relationships across the entire region, pairing Chinese and LAC cities and provinces in often-productive partnerships. The Overseas Chinese Affairs Office (OCAO), which was absorbed by the United Front Work Department in 2018,⁶ worked for over a decade with overseas Chinese communities to shape views of China and enable investment and commercial exchange. Companies themselves are also increasingly active at the subnational level, often through local offices. And a range of other institutions, as identified in throughout this report, are facilitating interactions and shaping views of China at different administrative levels.

China's central government actively promotes and shapes diplomatic engagement at the regional, bilateral, and local levels in LAC through policy pronouncements and by standing up institutions to conduct diplomatic and commercial objectives overseas. Engagement at the local level has been emphasized in recent LAC policy documents, including the China-CELAC Forum's 2015-19

Beijing has promoted a "multi-tiered" approach to engagement with the region to generate new pathways and opportunities for commercial deal making and political exchange.

five-year plan. When engaging with LAC localities, however, the various Chinese government and quasi-governmental institutions tasked with local-level outreach are seemingly afforded a considerable degree of autonomy.⁷ In addition, Chinese central government and quasi-governmental organizations rarely operate in concert at the LAC local level, but independently, and when opportunities arise. Chinese companies also often operate on their own accord in LAC localities, driven in most instances by profit-based motivations.⁸ Provincial outreach is similarly uncoordinated, whether by China's central government or among officials from different provinces. Nevertheless, some provinces have been effective in assembling delegations of provincial-level governmental, quasi-governmental, and commercial representatives that have forged strong ties to LAC locales and generated key deals in infrastructure, technology, and extractive sectors, for instance.

While much of China's activity at the local level is driven by outreach from Chinese actors, another significant portion is prompted by LAC officials at various levels of government, who actively pursue opportunities and relationships with Chinese companies and other actors. As a result, the author's efforts to document China's local-level engagement in LAC have tended to reveal a tangled web of overlapping interactions and a kaleidoscopic cast of characters.

As it stands, China's approach to local-level and broader diplomatic efforts is not an efficient one, requiring the application of extensive human resources. But it has nevertheless been increasingly effective at establishing critical networks of local-level contacts; introducing local-level authorities to Chinese products and services; leveraging the extensive decision-making authority of administrative-level leadership in certain LAC countries; and engendering support for China's political positions on Taiwan and other issues. Moreover, Chinese actors' efforts to this effect are far more extensive than those of many other actors in the region, and, indeed, broadly supportive of a common policy agenda.

CHINA'S ADAPTIVE OUTREACH

China's recent focus on "multi-tiered" engagement with in LAC aims to achieve a range of objectives, including creating more space for Chinese companies in LAC's

diverse investment environments; advancing Chinese policy interests at various levels of government and society; and shaping views of China throughout the LAC region. China's "multi-tiered" footprint is also increasingly pronounced, having been supported by recent Chinese policy measures and numerous diplomatic, quasi-diplomatic and commercial actors in LAC and China. Chinese efforts to diversify channels for engagement and to adapt to the region's varied investment and political environments have been evident in some form since the onset of enhanced China-LAC relations, however, when China's commercial and political prospects in the region were far more limited.

China's local-level engagement in LAC involves a tangled web of overlapping interactions and a kaleidoscopic cast of characters.

The bulk of China's initial economic outreach in the region, especially in terms of state-to-state financing, was evident in just a handful of countries, including Argentina, Brazil, Ecuador, and Venezuela, among others.⁹ The reasons for China's early focus on these nations are numerous, including their extensive natural resource allocations, sizable domestic markets, and at times limited access to international credit markets. These factors made China's model of commodity-backed lending attractive to some of the region's credit-starved governments, but also to Chinese lenders, which viewed tied, oil-backed loans as a means to reduce financial risk, secure access to natural resources, and establish a presence for Chinese companies in new overseas markets.

The centralized nature of decision-making in some of these countries was also appealing to China at the time, effectively streamlining the deal making process for a number of infrastructure and other projects. In Argentina, Ecuador, and Venezuela, for example, Presidents Cristina Fernández de Kirchner, Rafael Correa, and Hugo Chávez and Nicolás Maduro personally negotiated and approved many of the large-scale public works projects that China was awarded during their presidencies. Correa, for instance, approved Chinese support for the construction of at least seven hydropower projects.¹⁰

These various factors enabled a relative boom in Chinese activity in these countries, especially in the early 2010s, albeit with wide-ranging and sometimes negative consequences, whether for LAC communities, government coffers, or company reputations. Despite central government endorsement, many of China’s signature projects in these countries failed, stalled, or have faced considerable controversy—related to labor conditions, cost overruns, project delays, environmental impact, or the quality of Chinese construction, among other issues.¹¹

Despite an early focus on LAC countries with comparatively centralized governance structures, China also sought to engage with the region’s more open and competitive markets. Indeed, some Chinese companies entered these markets as early as the mid-1990s. Chinese mining company Shougang’s 1994 investment in Marcona, Peru was among the first examples of Chinese foreign direct investment (FDI) in the region. However, the complexity and competition associated with the investment regimes in countries such as Chile, Colombia, Peru, and Mexico, were at times challenging for Chinese companies in the early 2000s. Most had little experience investing in the region and struggled to navigate complex political landscapes or compete effectively with well-established international and domestic firms. These countries were also generally disinterested in tied loans from CDB and China Eximbank, which had helped Chinese companies to establish a presence elsewhere in the region.¹²

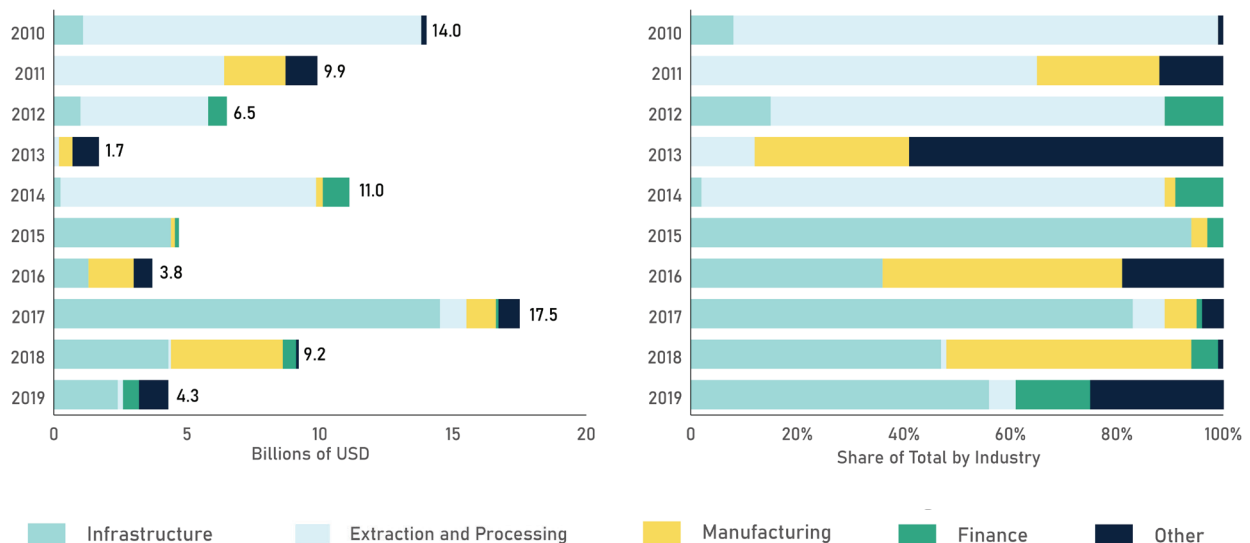
Despite some obstacles, Chinese companies eventually found themselves in a position to bypass some of these complexities through a focus on mergers and acquisitions (M&A). This was especially the case after the 2008 global financial crisis, when many multinational companies abandoned ailing assets in the region. China’s M&A surged in 2010, with US\$14 billion in transactions, and then again in 2017, with over US\$17 billion in deals (see Figure 1). Mergers and acquisitions remain an important part of the China’s overall FDI in the region, but with less activity in recent years, reflective of a broader deceleration in Chinese overseas investment.¹³

Chinese companies have also become increasingly adept at navigating the region’s more stringent regulatory environments and at competing in the tendering processes favored by Pacific Alliance and other countries in the region. In Colombia, for example, a Chinese consortium comprising China Harbor Engineering Company and Xi’An Metro Company competed against five other consortia for a US\$4.3 billion contract to design, build, operate and maintain Line 1 of the Bogotá metro. The Chinese consortium, APCA Transmimetro, won the contract in October 2019, having received 100 points in the tender process, compared with 94.54 points for Consorcio Metro de Bogotá, the second most competitive bidder.¹⁴

Despite considerable progress across LAC markets and sectors, the often-fractious nature of LAC domestic politics, whether in the region’s centralized or decentralized

FIGURE 1: CHINESE MERGERS AND ACQUISITIONS IN LAC, 2010- 2019

Source: Author compilation; China-Latin America Economic Bulletin, 2020 Edition, Boston University Global Development Policy Center, 2020.



systems of government, solvent or ailing economies, has led Beijing to pursue so-called “multi-layered” and “multi-tiered” foreign policy in the region. “Multi-layered” diplomacy, as Chen Zhimin,¹⁵ Ignacio Araya,¹⁶ and others have described it, alludes to the growing presence of Chinese subnational actors, such as provinces and cities, in foreign affairs. Also evident in the LAC region is “multi-tiered” approach, which aims to expand the channels through which Chinese actors are able to engage with LAC entities. As a result, we see a continued and prominent focus on bilateral relations with LAC nations, but also growing interaction at the regional level, through the China-CELAC Forum, for example, which China established in cooperation with its diplomatic partners in LAC in 2015, and through interactions with regional trade blocs and multilateral financial institutions.¹⁷ Regional institutions such as the Organization of American States (OAS) and the United Nations Economic Commission on Latin America and the Caribbean (ECLAC) are useful windows into LAC politics and diplomatic predispositions, as well as valuable platforms to communicate China’s own policy priorities for the region.¹⁸

As addressed in the remainder of this report, there is also a concerted effort on the part of Chinese central government and provincial entities, as well as a range of Chinese companies, to cultivate productive relationships with LAC provinces/states and municipalities. For Chinese companies and governmental entities, local-level engagement is a promising approach, especially in those countries where government-to-government deal making is not possible, whether because of a country’s governance structure or regulatory environment, or when broader geopolitical considerations limit progress at the bilateral level.

China’s growing activity at the local level in LAC should be understood as part of a broader, “multi-tiered” effort to engage the LAC region more effectively. It is also reflective of the sort of extreme opportunism and flexibility evident in China’s outreach to LAC over the past two decades. Chinese banks, companies, and governmental entities have for many years sought new avenues for engagement with region’s investment environments and political systems, whether through acquisitions of assets in strategic sectors or the cultivation of relationships at various levels of government and society.

THE RATIONALE FOR ENHANCED LOCAL-LEVEL ENGAGEMENT

In practice, China’s “multi-tiered” diplomacy in LAC, and especially growing local-level outreach, achieves a range of objectives. Much of this outreach, especially when carried out by Chinese companies, is aimed at securing key contracts in various LAC sectors. For China’s tech firms, in particular, which are marketing safe city and smart city technologies and services, administrative-level governments are natural partners.

A considerable portion of China’s local-level undertakings should be also viewed as exploratory in nature, however. As independent researcher on Chinese affairs Ricardo Barrios noted in an interview with the author, China’s administrative-level activity “is as much a commercial reconnaissance mission as anything else.”¹⁹ Indeed, much of the outreach conducted by Chinese government and even provincial-level institutions and authorities appears to be undertaken without specific commercial objectives in mind, but rather to lay the groundwork for eventual deal making, or to cultivate favorable views of China and Chinese political interests, including vis-à-vis Taiwan. The long-standing Coquimbo, Chile–Henan, China relationship is exemplary, with regional exchanges having taken place over the course of 15 years, based on mutual interest in possible mining sector cooperation, though without clear evidence of commercial activity. Requests for non-specific collaboration are also evident among Chinese and LAC municipalities. The city of Nanjing, China approached Concepción, Chile in 2020 with an offer of broad collaboration, for instance, though also noting Nanjing’s success in tackling crime, and possible value as a partner in that area of work.²⁰ Many scholars have also noted China’s long-standing interest in establishing linkages to Chinese diaspora communities to acquire local market information.²¹

Long-term, non-specific relationship building, though inefficient, can certainly create eventual opportunities for Chinese companies. It is possible, for example, that the 15-year-long Coquimbo-Henan relationship will facilitate Chinese participation in the Agua Negra tunnel project, which connects the Coquimbo region with Argentina’s San Juan province. Coquimbo officials have actively supported Chinese participation in the project, as indicated in the case study section of this report. Similarly, Chinese technology firm Alibaba’s multi-year outreach

and training activity in LAC cultivates relationships with small and medium-sized enterprises that may eventually employ the company's e-commerce platform. This includes in Guanajuato, Mexico, where Alibaba signed an agreement in 2019 with the Guanajuato Foreign Trade Promotion Coordinator (COFOCE) to train entrepreneurs in e-commerce and other digital sales.²²

China's focus on local-level engagement and the cultivation of local-level personal relationships supports not only commercial but also broader diplomatic objectives, including a long-standing interest in shaping external views of China and also limiting Taiwan's influence in LAC. As the University of Melbourne's Adrian Hearn notes, at the core of the agenda "is an attempt to build trust." The accrual of trust over the long term weighs "heavily into the formation of broader industrial and diplomatic relations."²³ This is especially important in LAC, where "political relations can be unpredictable," as a former local government official in Chile noted in an August 2020 interview with the author.²⁴ Efforts by Chinese governmental, quasi-governmental, and commercial entities to develop personal relationships with LAC local-level officials, business leaders, and other stakeholders have facilitated deals in a range of sectors, certainly, but also the development of often-productive "twinning" relationships and other direct channels through which to conduct public diplomacy and communicate policy interests.²⁵ This activity has been evident throughout the entire LAC region to varying degrees, including among Central American countries that until recently maintained diplomatic ties with Taiwan.

In theory, local-level engagement can also help China to ensure a degree of project continuity even during problematic political transitions. China Eximbank issued finance for the Cauchari solar project directly to the Jujuy provincial government, understanding, based on historical precedent, that Argentina's central government could potentially withhold funding for the project over political differences (see Box 1). Also, in many cases, local-level officials are not beholden to the sorts of geopolitical considerations that have complicated deal making and project execution at the central government level.

Chinese companies may also believe that locally proposed projects are, on a whole, less prone to controversy than those occasionally proposed by central government officials in LAC. Local-level deal making is more likely to "fly under the radar," attracting relatively limited media attention, especially when deals and cooperative activities are relatively small in scale. Some Chinese companies and banks may also be wary of the sort of politically motivated "pet projects" proposed by LAC presidents in recent years.

Participation in two hydroelectric dam projects in former Argentine President Cristina Kirchner's home province generated considerable controversy and unforeseen obstacles for Chinese construction firm Gezhouba (see Box 1). With this and other examples in mind, Chinese companies have had "high expectations for what local-level politicians should be able to accomplish," according to University of California, Irvine's Gustavo Oliveira.²⁶ Chinese entities have tended to believe, for example, that local leadership will make unbiased decisions with the best interests of their municipalities at heart.²⁷ Local-level deals also fail, of course, and for a wide variety of reasons. Recently, São Paulo's efforts to work with Sinovac on the production and distribution of a Covid-19 vaccine were derailed by Brazilian President Jair Bolsonaro, who noted on Facebook that "Brazilians won't be anyone's guinea pig."²⁸

Growing local-level engagement in LAC is also possibly a function of competitive behavior among Chinese provinces. As Liu Mensheng and Qian Xingwang note, China's "[p]rovincial governors compete rigorously to accomplish better local economic growth and to execute central policies, which include promoting more [overseas foreign direct investment] as part of the central government's 'going global' and BRI policies."²⁹ Within a couple of years of one another, Hubei province (2016) and Jiangsu province (2018)³⁰ government officials sought to develop strategic partnerships with Chile's Bío Bío region, in what Ignacio Araya described as "a possibly competitive dynamic,"³¹ although the former was based on an already established Wuhan-Concepción sister cities relationship.

Furthermore, there is a clear policy mandate for enhanced local-level activity. Local-level engagement is identified as an area of focus in China's two policy papers on LAC, released by China's Ministry of Foreign Affairs (MOFA) in 2008 and 2016 (see Figure 2). The concept also is featured in the China-CELAC Forum Cooperation Plan, which was released in 2015. The China-LAC Capital City Mayors' Forum, the China-LAC Young Political Leaders' Forum, and the China-LAC Local Governments Cooperation Forum are all held under the auspices of the China-CELAC Forum. The latter event was first held in Chongqing, China in 2016. Liu Guiping, Vice Mayor of Chongqing; Rosa del Carmen Baez, representative of the Dominican Republic in China; Yin Hengmin, the MOFA's Special Representative of the Chinese Government for Latin American Affairs, Edgar Dekan, minister of regional development for Suriname; and Chinese People's Association for Friendship with Foreign Countries (CPAFFC) Deputy Director Xie Yuan all spoke at the forum (see description of the CPAFFC's mission below).³² A second

Box 1: Chinese Local-Level Engagement and Financing in Argentina

Argentina, in particular, has been something of a testing ground for Chinese local-level engagement over the past decade. The country's provincial governments, which have considerable foreign policy decision-making authority,ⁱ and represent sizable economic markets, have actively sought to develop stronger ties with Chinese companies in recent years. Chinese companies and government bodies are also increasingly active at the local level in Argentina, having pursued several "twinning" arrangements and numerous telecoms, infrastructure, and other projects. To date, Jujuy, Neuquen, and Santa Cruz provinces account for the bulk of transactions with China, although some activity in these provinces, such as the development of China's deep space observation facility in Neuquen and the Jorge Cepernic and Nestor Kirchner (now "Barrancosa" and "Condor Cliff") dam projects in Santa Cruz, were negotiated at the central government level.

Much of the recent growth in China's outreach at the local level in Argentina can be attributed to long-standing tensions in central-provincial government relations in Argentina, which have complicated Chinese projects. When Mauricio Macri assumed the Argentine presidency in 2015, he pledged to examine the legality of the Santa Cruz dam deals, for example, while also withholding Chinese finance for the project to the Santa Cruz government. As a result, Argentine firm Electroingeniería, which had partnered with Chinese company Gezhouba on dam construction, was unable to advance the project or pay its employees for over a year.

As legal consultant Juan Uriburu Quintana explained in a September 2020 interview with the author, Argentina's tax law allows the federal government full taxation authority, rendering Argentine provinces dependent on the central government to remit critical revenue. Tax revenue is frequently withheld from provinces that are not politically aligned with the country's executive branch, as in the case of Santa Cruz, a political stronghold for former president Cristina Fernández de Kirchner.

China's banks and companies have sought to navigate this complex political landscape through various means, including by expanding local-level collaboration. Local-level deal making has been fruitful even when higher-level relations are strained, such as when Macri assumed the Argentine presidency. At the same time, Chinese banks have sought to mitigate financial risk inherent in Argentine central-local dynamics by providing loans directly to provinces (rather than the central government), as China Eximbank did in 2017 in support of the Cauchari solar park in Jujuy. Assuming Jujuy remains solvent, it will be able to repay the loans even if the central government withholds funding from the province. Moreover, Argentina's individual provinces are sometimes in a better financial position than the country as a whole, according to Uriburu.ⁱⁱ

i Article 124 of the Argentine Constitution stipulates that provinces are entitled to create regions for social and economic development, for example. This allows provinces to establish international alliances as long as they don't affect Argentine central government foreign policy, don't impede on powers delegated to the federal government, and congress is informed of the plans.

ii Personal interview with Myers, virtual, August 2020.

FIGURE 2: CHINESE POLICY DOCUMENTS REFERENCING LOCAL-LEVEL ENGAGEMENT WITH THE LAC REGION

Source: Author compilation from Araya, Ignacio, "La diplomacia multinivel digital entre China y ALyC," City Diplomacy, 19 October 2020, <https://citydiplomacy.org/2020/10/19/la-diplomacia-multinivel-digital-entre-china-y-alyc/>.

<p>CHINA POLICY PAPER ON LATIN AMERICA AND THE CARIBBEAN (2008)</p> <p>Part IV Strengthen China’s Comprehensive Cooperation with the Latin American and Caribbean Region</p> <p>1. In the Political Field</p> <p>(6) Local Government Exchanges: The Chinese side highly values exchanges at the local government level with countries in Latin America and the Caribbean. It supports the twinning of provinces/states or cities between China and Latin American and Caribbean countries, and exchanges and cooperation in business, science and technology, culture and other fields to increase mutual understanding and friendship. It attaches great importance to cooperation with Latin American and Caribbean countries in international local governments organizations.</p>
<p>CHINA POLICY PAPER ON LATIN AMERICA AND THE CARIBBEAN (2016)[i]</p> <p>Part IV Further Strengthening Cooperation in All Fields</p> <p>1. In the Political Field</p> <p>(6) Local exchanges: Active support will be given to local governments on both sides to conduct friendly exchanges and cooperation, share experience in local development and governance, and promote cooperation among local governments in relevant international organizations.</p>
<p>CHINA-CELAC FORUM COOPERATION PLAN (2015-2019)[ii]</p> <p>I. Policy and Security</p> <p>3. Consider to hold exchanges between political parties, local government and youth of China and CELAC countries. In this regard, China will invite 1,000 political leaders of CELAC countries to visit China in the next five years. Hold, in due course, the China-LAC Capital City Mayors’ Forum and the China-LAC Local Governments Cooperation Forum. China will continue to run the China-LAC Young Political Leaders’ Forum.</p>

meeting of the China-LAC Local Governments Cooperation Forum took place in Wuhan, China in 2018.

Reference to local-level cooperation also appears in bilateral policy documents. Among the various areas of focus articulated in the July 2014 *Plan de Acción Conjunta entre los Gobiernos de la República Argentina y la República Popular de China para el Fortalecimiento de la Asociación Estratégica*, is the “development of ‘twinning’ arrangements at the provincial and city levels.”³³ The bilateral Belt and Road Cooperation Agreement signed by Chile and China in 2018 highlighted five BRI-consistent areas of cooperation, including people-to-people ties, but also explicitly mentioned

further development of sister cities networks and enhanced exchange and cooperation between local governments.³⁴

The 2019-2022 Joint Action Plan between Chile and China also emphasized local-level outreach, noting that “[b]oth parties will continue to encourage exchanges between their local governments to increase sister city agreements at the municipal and provincial level...”³⁵

While all of these factors have contributed to growing Chinese activity at the local level in a range of LAC countries, Chinese government and commercial entities are not necessarily prioritizing local-level activity over other levels of diplomatic engagement in the region. Instead, various forms

of diplomacy are employed to different degrees in different political and economic environments. Central government interaction is still preferable in Maduro's Venezuela, for example, and even arguably plays an increasingly important role in Mexico, where Mexican President Andrés Manuel López Obrador has largely consolidated authority since his election in 2018. China has sought to support projects that have been promoted by López Obrador himself, including the Dos Bocas refinery and Tren Maya.³⁶ In addition, many, though not all, of China's exported surveillance systems have been approved and are managed by central government authorities, including Ecuador, Uruguay, and Venezuela, sometimes through coordination with these countries' interior ministries.³⁷ Indeed, in most LAC countries, bilateral and local-level engagement are happening simultaneously, to "cover all bases," so to speak, and as part of an exceedingly adaptive approach to regional relations.

GOING LOCAL: ACTORS AND AVENUES

A review of many dozens of cases of Chinese administrative-level activity across the LAC region and in distinct economic sectors, as well as interviews with numerous central-level and local-level LAC officials and LAC and Chinese scholars, reveal few distinguishable patterns in China's local-level outreach. Engagement is initiated by different actors in different instances. Chinese actors who play pivotal roles in some LAC localities are entirely absent from others. In some examples of subnational activity, relationships are exceedingly productive and in others they yield few tangible results. Some general observations can nevertheless be made about the main Chinese and LAC actors involved, prominent avenues for subnational engagement, and the nature and extent of Chinese local-level activity across the region. They include the following:

- **China's local-level outreach in LAC is not centrally coordinated in most instances.** As evident in the case studies section of this report, the actions of China's commercial, government, and quasi-governmental entities frequently overlap with one another, demonstrating not only the considerable extent of Chinese local-level activity in LAC, but also a general absence of overarching coordination. That said, Acuto, et al. and Chen Zhimin have noted the Chinese central government's considerable control over the foreign affairs activities of Chinese provinces and cities, which play a prominent role in China-LAC local-level relations, as noted above.³⁸ The examples they provide are of restrictions on provincial and municipal outreach rather than Chinese government promotion of specific forms of overseas engagement, however.
- **China's local-level engagement with LAC is not a new development.** Subnational activity dates back to the early 2000s in some cases, including in the Coquimbo, Chile – Henan, China relationship profiled in the case study section of this report. Local-level activity is growing, however, as Chinese companies become increasingly adept at navigating different administrative levels in LAC, often marketing tech products that appeal to local-level administrators. The basing of Chinese companies in LAC also presumably facilitates "multi-tiered" engagement with the region. And Chinese community leaders in LAC, such as Wang Hexing, president of Professional Association of Chinese Businesspeople in Chile, who have in many cases forged local-level ties themselves, are increasingly well-established. In some cases, the region's various "twinning" relationships, established over the course of the past two decades, are also bearing fruit.
- **Formal platforms for local-level engagement serve an important convening function and provide the opportunity for Chinese and LAC representatives to advance key economic and political interests.** These include platforms developed by the Chinese central government, such as those associated with the China-CELAC Forum, as well as those developed by overseas Chinese organizations and other groups at the local level. Platforms developed by quasi-governmental entities, such as the Chinese People's Association for Friendship with Foreign Countries (CPAFFC), allow for wide-ranging participation, including representatives from Taiwan-allied nations, who have taken part in mayoral and other delegation visits to China. Formalized university partnerships are also an area of focus at the local level, especially as a product of broader "twinning" relationships. Academic conferences held by partner institutions frequently host LAC and Chinese government officials and commercial sector representatives, facilitating critical networking opportunities.
- **China's "twinning" (*hermanamiento*), or sister cities/provinces relationships in LAC, such as the Jujuy-Guizhou relationship, have also been productive in**

Local-level activity is often focused in those countries where local leadership has considerable authority over foreign policy and/or commercial deal making.

certain cases, but are generally established once initial local-level engagement is already underway.

For example, the Henan, China and Coquimbo, Chile sister regions relationship was established after Henan government entities first engaged with Coquimbo. In other cases, “twinning” relationships are established at the behest of companies seeking opportunities in local markets.

- Despite the wide range of Chinese actors tasked with overseas engagement, as indicated below, **many of these relationships are initiated by LAC officials**, who view Chinese banks and companies as being integral to the development of their respective regions, or else to advancing specific projects. LAC embassy officials in China, LAC chambers of commerce, governors, mayors, and other local government officials are among those in LAC who have actively developed some of the more extensive local-level linkages with Chinese entities. In late 2020, governors of certain Brazilian states reportedly reached out to China directly to seek assistance with their respective Covid-19 responses, bypassing the central government, which has been publicly critical of China and its handling of the Covid crisis.³⁹ The governor of Argentina’s Jujuy province has also played a central role in crafting a productive Jujuy-China relationship, as indicated in the Jujuy case study below.
- Chinese local-level outreach is apparent across the entire region, including in smaller countries. But **the bulk of activity appears to be focused in those countries where local leadership has considerable authority over foreign policy and/or commercial deal making.** It is no coincidence that much of China’s local-level activity is centered in Argentina, for example, where provinces and cities represent sizable economic markets, and where local governors and mayors are

legally able to carry out their own foreign policy. Brazil is another country where decision-making authority is relatively decentralized. In much of the rest of LAC, mayors and governors raise little of their own revenue, and, therefore, have little decision-making authority over major project development.⁴⁰ The current push for greater decentralization in Chile could possibly boost China-Chile local-level interaction, as officials look to Chinese companies to advance key projects.⁴¹

- Scholarly analysis also suggests that **China’s outreach at the local level is prominent in countries, whether in LAC or elsewhere, that have strained relations with China.** China’s relatively extensive local-level outreach in Mexico may indeed be related to historical tensions between the two countries. Adrian Hearn has suggested that much of China’s local-level engagement in Mexico in the early 2000s aimed to address trade-related challenges.⁴² Barbara Stallings identified a pattern of increased Chinese political engagement and relationship development after 2013 with countries such as Chile, Colombia, Costa Rica, Mexico, Panama, Uruguay, and Brazil, where China lost considerable economic leverage post-commodity boom. As China’s leverage decreased, Stallings noted, “the relevance of linkage has increased...” The fostering of FTAs in LAC during this timeframe was as much about linkage as about markets.⁴³ Samantha Custer has noted that that “sister-city relationships are more likely to be developed with cities in countries with which China does not have extensive security or strategic relationships,”⁴⁴ and where China perhaps feels the need to export a positive image of itself.
- **Chinese administrative-level outreach is less apparent in small countries in LAC**, although examples certainly exist. According to one Panamanian interviewee, the governor of the province of Panama has extensive relations with officials in an array of Chinese cities.⁴⁵ Panama is a bit of an outlier among the region’s smaller countries, however, having for many years been a priority investment destination for Chinese companies operating in LAC, as well as a critical Taiwan ally until 2017.⁴⁶ In an interview with the author, Jevon Minto, a Jamaican researcher on China-LAC relations, postulated that Chinese companies don’t need to do local-level outreach in places like Jamaica because the companies that are doing most of the work there (e.g., China Harbor Engineering Corporation) are “already well-established.”⁴⁷

- **Local-level engagement is part of a broader, “multi-tiered” approach to diplomatic outreach in the LAC region.** The examples of Chinese company-to-state and state-to-state coordination are still extensive in LAC, despite growing activity at the local level. In 2020, for example, Gustavo Sabino Vaca Narvaja, Argentina’s Special Representative for Trade Promotion and Investment in China, met with Vice President of CITIC Construction Bo Piao. Bo briefed Sabino on CITIC Group Corporation’s overall situation, the company’s business scope and domain, and progress on South America’s projects, including the Metro Cars project in Buenos Aires.⁴⁸

Making the Connection: Key Actors and Approaches

As indicated in the previous sections, the Chinese actors involved at the LAC local level are numerous, including government and quasi-governmental entities, Chinese provincial authorities, and company representatives, among others. The ways in which government and quasi-governmental actors engage are generally dictated by their specific institutional missions, albeit with a seemingly wide range of objectives in mind, whether commercial, political, or social in nature. As Adrian Hearn has noted, Chinese governmental and quasi-governmental outreach to the Chinese diaspora community or through educational exchange and technical training serves to “enhance China’s political legitimacy and commercial prospects.”⁴⁹ The “visible goals of these activities are to facilitate trade, investment, resource security, and diplomatic alliances,” he explained, but “below the surface are less visible initiatives to advance social engagement.”

Chinese commercial actors engage through a comparatively wide range of channels at the local level, though generally in support of business development objectives. They do so independently in some instances, often through local company offices or even at the behest of LAC local governments. In other cases, Chinese officials and/or governmental or quasi-governmental organizations promote Chinese goods and services. Many of the relationships studied were also prompted by personal connections, cultivated over the course of many years. Individual Chinese and LAC officials, businesspeople, and others have indeed been central to the development of local-level ties.

The following are primary avenues through which China-LAC subnational relationships have been fostered in recent years, although as indicated in the case studies section of this report, multiple actors and numerous forms of outreach are often evident in local-level relationships, especially in those cases where engagement has been ongoing for a number of years.

A. LINKAGES GENERATED BY CHINESE CENTRAL GOVERNMENT AND QUASI-GOVERNMENTAL BODIES

An exceedingly wide range of Chinese government bodies is officially responsible for cultivating ties at the subnational level in foreign countries. **Chinese embassies** play an active role in developing networks of commercial and other critical contacts at the local level, for example. Much of their work likely falls under the direction of economic-commercial sections, which in addition to monitoring the overall economic situation in host countries, also serve as intermediaries between Chinese firms and local entities. China’s embassies in LAC also publicize information regarding new projects and public tenders in host countries, alerting Chinese companies to potential opportunities.⁵⁰ This includes project “wish lists” presented to Chinese embassies by local authorities.

The Chinese actors involved at the LAC local level are numerous, including government and quasi-governmental entities, Chinese provincial authorities, and company representatives, among others.

Chinese ambassadors are also active in cultivating local-level networks. For example, as one former Panamanian official indicated in an interview with the author, China’s current ambassador to Panama, Wei Qiang, has been exceedingly effective in generating local-level ties. He visits frequently Panama’s provinces and “is well-known in Panama and among the country’s elite.”⁵¹

The relative importance of embassies in making local-level contacts for Chinese businesses appears to vary considerably on a country-by-country basis, however. According to Gustavo Oliveira, “The embassies aren’t the main contact makers [in Brazil]. The companies often move on their own at the beginning.” Oliveira also noted that the extent to which companies rely on the embassies and on local-level deal making likely depends on their size. Large Chinese companies can easily reach out to other large companies or to LAC central government agencies or officials.⁵² Appendix A provides examples of the subnational trade and investment activities of China’s diplomatic missions.

The relative importance of embassies in making local-level contacts for Chinese businesses varies on a country-by-country basis.

The **China Council for the Promotion of International Trade (CCPIT)** is also among the more active institutions at the administrative level in LAC. As one of China’s core “national people’s organizations” the CCPIT is a quasi-governmental organization dedicated to promoting foreign trade and investment. Although the organization’s mission does not explicitly mention activities at the subnational level, the CCPIT engages frequently with LAC localities when conducting trade and investment promotion activities.

Much of the CCPIT’s work in LAC is conducted not just by the CCPIT office in Beijing, but also by localized CCPIT committees, which are based in Chinese provinces and overseas representative offices. Of the CCPIT’s 22 representative offices outside mainland China, three are located in LAC—in Brazil, Costa Rica, and Mexico.⁵³ Provincial CCPIT committees also maintain overseas offices that are distinct from the CCPIT Beijing’s overseas representative offices.⁵⁴ In November 2019, for example, the Zhejiang Provincial CCPIT Committee established a representative office in Mexico City, in connection with the Association of Zhejiang Entrepreneurs in Mexico.⁵⁵ Among all of these entities, core activities include receiving

overseas trade and economic delegations and organizing Chinese commercial delegations to foreign countries.⁵⁶

Examples of CCPIT local-level activity in LAC include:

- *Contact(s)*: Florianopolis City, Brazil; State Association of Small and Medium-Sized Enterprises; Brazilian Association of Chinese Enterprises; Brazil-China Economic and Trade Exchange Center

Summary: In July 2019, the CCPIT’s Brazil office held a Brazil-China Business Seminar in Florianopolis, the capital of Santa Catarina state.⁵⁷ The event was jointly organized by the state government, the State Association of Small and Medium-Sized Enterprises, the Brazilian Association of Chinese Enterprises, and the Brazil-China Economic and Trade and Exchange Center in Florianopolis. Representatives from dozens of Chinese enterprises in Brazil engaged with representatives of the Santa Catarina state government regarding specific cooperation projects.

- *Contact(s)*: Guerrero State, Mexico; Director of Commerce of the State of Guerrero, Álvaro Burgos

Summary: In December 2018, Zhang Chunsheng, General Representative of CCPIT’s Mexico Office, met with Álvaro Burgos, Director of Commerce of the State of Guerrero; Nolasco Mesa, Deputy Director of the Administration of the Federal Economic Development Zone of Mexico; and the Director of Special Economic Zones (SEZ) Hugo Bunichi.⁵⁸ During the meeting, the two sides reportedly discussed Chinese investment in the Lázaro Cárdenas-La Unión SEZ, as well as Guerrero’s “cooperation with China in manufacturing, agriculture, tourism, mining, natural gas development, and renewable energy.”

- *Contact(s)*: Cundinamarca Department, Colombia; President of the Cundinamarca Departmental Assembly, Gian Carlo Gerometta Burbano; Vice President of the Cundinamarca Departmental Assembly, José Ricardo Porras Gómez

Summary: In August 2016, the Vice Chairman of the Zhejiang Provincial Committee of CCPIT, Tang Lili, led a business delegation from the province to the Department of Cundinamarca.⁵⁹ During the visit, the delegation met with the president of the Cundinamarca Departmental Assembly, Gian Carlo Gerometta Burbano, and vice president, José Ricardo Porras Gómez, as well as representatives from 25 offices, including the

provincial government, urban construction bureau, education department, agriculture department, economic promotion department, and tourism department.⁶⁰

- *Contact(s)*: Omar Gutiérrez, Governor of Neuquén, Argentina; Diego Guelar, Argentine Ambassador to China; Representative of municipal councilors of Buenos Aires; Representative of Argentine Customs

Summary: In 2019, the Guangdong Provincial CCPIT, along with the Chinese Embassy in Argentina and the Cantonese Merchants Union of Latin America organized the 2019 Annual Meeting of the Cantonese Merchants Union of Latin America to “increase Latin American companies’ knowledge about China’s trade cooperation policies, in order to expand bilateral cooperation and promote the implementation of the Belt and Road Initiative.” LAC companies agreed to communicate with relevant government departments and industry professionals through training sessions, local visits, and other forms to help LAC products meet Chinese standards.⁶¹

- *Contact(s)*: Sinaloa-Cámara de Comercio y Tecnología México-China (CCTMC)

Summary: Founded by the CCPIT, the CCTMC was created in 2008 to promote trade between the two countries.⁶² Today, the chamber has four regional chapters in Mexico. In 2019, the northeast chapter was inaugurated in Culiacán, Sinaloa.⁶³ The Chinese Embassy in Mexico has invited Sinaloan companies to come to China and sell their products and to use resources provided by CCTMC.

The **Chinese People’s Association for Friendship with Foreign Countries (CPAFFC)**, is also exceedingly active at the local level in LAC, having facilitated numerous local-level contacts and agreements. Its stated mission is to further people-to-people ties between China and the world, but the CPAFFC also frequently plays a role in China’s subnational deal making by connecting foreign actors with Chinese businesspeople and other counterparts, including through “twinning” arrangements between cities and provinces in China and LAC.

The CPAFFC’s involvement in subnational diplomacy is generally channeled through three of its main attributes: (1) the China-Latin America and Caribbean Friendship Association, (2) the China International Friendship Cities Association (CIFCA), and (3) the numerous overseas China

Peoples Friendship Associations operating in the region. As an ostensible “non-governmental organization,” the CPAFFC has more room to maneuver than China’s formal diplomatic apparatus, allowing the organization to engage even with countries that do not maintain formal diplomatic ties to China.

More than other organizations, the CPAFFC relies on large-scale, multilateral events, such as the China-Latin America and the Caribbean Non-Governmental Friendship Forum, to further its objectives. Though generally carried out at the national level, these events cater to a wide range of overseas groups. The CPAFFC is also responsible for events, such as the China-Latin America Local Government Cooperation Forum, that are specifically focused on strengthening China-LAC local-level ties.

Globally, the CPAFFC has set up 46 China-regional or China-national friendship organizations and established relationships of friendly cooperation with nearly 413 non-government organizations and institutions in 157 countries, according to the organization’s web site.⁶⁴

The following are examples of CPAFFC local-level engagement in LAC:

- *Contact(s)*: Panama province, Panama; Rafael Pino-Pinto, Governor of Panama province

Summary: In December 2016, the vice president of the CPAFFC, Xie Yuan, traveled to Panama, where he attended the celebration of the 15th anniversary of the establishment of the China- Panama Friendship Association.⁶⁵ During the visit, the delegation met with the Governor of Panama province, Rafael Pino-Pinto, communicating Chinese support for local-level exchanges between Chinese and Panamanian provinces and cities, with the goal of promoting economic and trade relations between the two countries. It was through the CPAFFC’s contact that Governor Pinto attended the China-Latin America Local Governments Cooperation Forum in Chongqing, as well as the China International Sister Cities Conference, held the prior month, even though China and Panama did not have formal diplomatic relations at the time.

- *Contact(s)*: Local Government Officials from the LAC Region

Summary: In November 2016, the CPAFFC held the first China-Latin America Local Governments Cooperation Forum in Chongqing.⁶⁶ According to

CPAFFC reports, the meeting hosted approximately 200 people representing 15 countries and 20 cities in LAC, 15 international and regional organizations, and 15 Chinese localities. The forum also hosted representatives from Argentina, Chile, Colombia, Costa Rica, and Mexico and included discussions on promoting cooperation in areas such as trade, industry, tourism, and humanities.

- *Contact(s)*: Mayors from the LAC Region

Summary: From May 19-26, 2013, the CPAFFC hosted a delegation of local leaders from LAC in China.⁶⁷ The delegation consisted of 23 representatives (mostly mayors) from Bolivia, Colombia, Costa Rica, Ecuador, El Salvador, Honduras, Mexico, Panama, and Paraguay. During their visit, the LAC delegation met with city officials in Beijing and Tianjin, and visited the company headquarters of Baidu and the Tianjin City Planning Exhibition. At the time of the event, El Salvador, Honduras, Panama, and Paraguay did not have diplomatic relations with China.

- *Contact(s)*: Governor of Buenos Aires

Summary: María Eugenia Vidal, the former governor of Buenos Aires province, was invited to Beijing by the CPAFFC in 2017, where her delegation and Chinese representatives signed agreements to advance educational and sports-related cooperation.⁶⁸

- *Contact(s)*: Jujuy province, Chile

Summary: The CPAFFC finalized a sister city agreement in November of 2017 with the Argentine province of Jujuy, announcing the symbolic union of Jujuy and Guizhou provinces at a joint press conference with provincial governor Gerardo Morales. Jujuy has since attracted extensive investment from China, including in the telecommunications, mining, and infrastructure sectors.

The **International Liaison Department (ILD) of the Communist Party of China** has played a comparatively limited role in administrative-level networking. Also known as the International Department, the ILD is the party organ directly responsible for overseeing the Chinese Communist Party's (CCP) relations with other political organizations overseas. At the core of the ILD's work is the cultivation of ties between the CCP and foreign political parties of all ideological stripes, as a way of building influence among a broad cross-section of constituents in foreign

countries. As is true of other organizations, one of the ILD's main activities is hosting foreign delegations in China and sponsoring visits by Chinese delegations overseas. According to analysis by Christine Hackenesch and Julia Bader, the ILD had 283 meetings with 74 political parties in 26 out of 33 LAC countries between 2002 and 2017.⁶⁹

In comparison to other organizations, ILD plays a less significant role in Chinese subnational deal making and other related outreach. In an exchange with the author, Bader noted only approximately 30 incidents of ILD global outreach to subnational actors, including mayors, governors, and regional or provincial-level government representatives.⁷⁰ Where the ILD does contribute to these subnational efforts, it cultivates young, up-and-coming members of foreign political parties, who could reasonably be expected to spend some time at the local level before rising to the national political scene.⁷¹

Although there are documented instances of direct contact between ILD officials and subnational actors from LAC, these are the exception rather than the norm. For instance, in May 2018, ILD Vice Minister Li Jun met with the mayor of Montevideo, Daniel Martinez.⁷² At the time, Martinez was also one of the main leaders of Uruguay's Frente Amplio Party. A far more typical example of ILD activity was Li's meeting with a delegation from Colombia's Centro Democrático Party, led by party head Nubia Martinez, in November 2018.⁷³

The **Overseas Chinese Affairs Office (OCAO)**, which was incorporated into the **United Front Work Department** in 2018, and the **China International Center for Economic and Technical Exchanges (CICETE)** also occasionally feature in China-LAC local-level outreach. As Adrian Hearn noted in his 2013 analysis of China's social engagement programs in LAC, for a number of years, at least, "the Overseas Chinese Affairs Office (OCAO) enlist[ed] the assistance of Chinese diaspora communities in LAC nations to achieve a wide range of objectives, economic, political, and cultural."⁷⁴ Hearn found that in 2010, the OCAO worked with the Chinese Associations of Mexicali and Tijuana to create a Chamber of Chinese Enterprises of the Northeast, which served as a "coordinating body for some four thousand Chinese businesspeople resident in the states of Baja California, Sonora, Coahuila, and Chihuahua." The Chamber received logistical support from the OCAO's Guangdong office to create linkages between businesspeople and producers in Asia and Mexico, especially in the maquiladora and auto sectors. As Hearn also noted, this connection amounted to "a critical nexus for Chinese and Mexican businesspeople at a time when bilateral tensions

have made institutional channels and partnerships difficult to establish and sustain.”⁷⁵

Enrique Dussel from the National Autonomous University of Mexico similarly assessed the extent of interaction between China and overseas Chinese organizations in Mexico. In his survey of 12 of the 60 overseas Chinese representative bodies in Mexico, 75 percent noted that they contact public or private institutions in China at least once a year, while 25 percent did so once a week. That said, only 17 percent of the associations surveyed had registered at the time with the Chinese embassy in Mexico.⁷⁶

The CICETE, which is affiliated with the Chinese Ministry of Commerce, has focused primarily on the implementation and coordination of technical cooperation with international organizations, but is also occasionally present at the LAC local level. The organization participated in the implementation of Huawei’s Colón Safe City project, for example. The head of CICETE reportedly

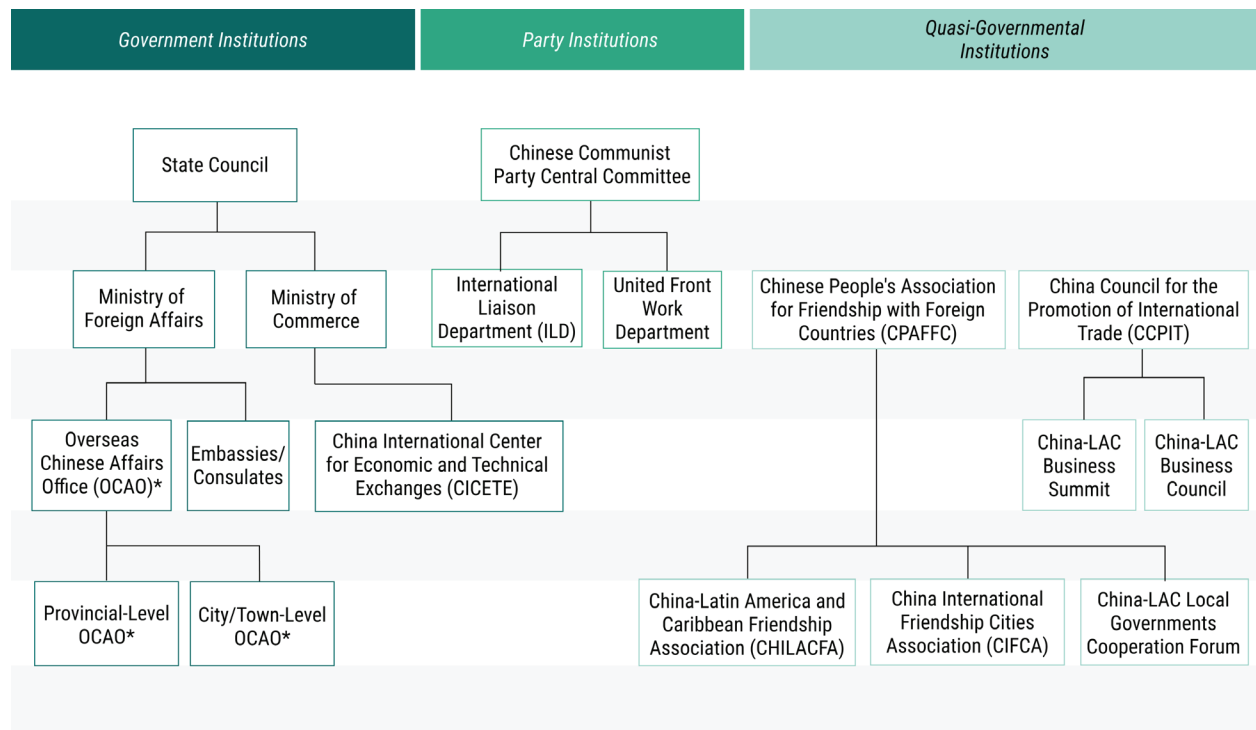
visited Panama to inspect the project during construction and implementation.⁷⁷

B. LOCAL-LEVEL LINKAGES GENERATED BY LAC CENTRAL GOVERNMENT ORGANIZATIONS AND COMPANIES

In some cases, China’s local-level activity in LAC is coordinated by **LAC central government bodies or state-owned enterprises**. In Costa Rica, for example, the Instituto Costarricense de Electricidad (ICE), Costa Rica’s government-run electricity and telecommunications service provider, entered into a partnership with GEPDI, a provincial subsidiary of the state-owned China Electric Equipment Group (CEEG), to advance a smart city project in Heredia. GEPDI secured its contract with ICE through a public tender to provide fiber optic connections to 150,000 households in the Heredia province, approximately six miles north of San José.⁷⁸

FIGURE 3: CHINESE GOVERNMENT, COMMUNIST PARTY, AND QUASI-GOVERNMENTAL INSTITUTIONS ACTIVE AT THE LOCAL LEVEL IN LAC

Source: Author compilation.



*The Overseas Chinese Affairs Office (OCAO) was incorporated into the United Front Work Department in 2018.

Despite considerable outreach by Chinese entities to officials in the city of Colón, Panama over the years, Huawei’s development of *Proyecto de Centro de Operaciones de Seguridad y Emergencias C2*, a safe city project consisting of a visual command center and a cloud intelligent video system, was largely negotiated

Chinese provinces have played a significant role in China’s subnational engagement with LAC, often through “twinning” arrangements.

at the central government level. Initial discussion about the project began in 2016, when a technical delegation, designated by Panama’s president, visited Shenzhen to consult on the project details. According to China’s Ministry of Commerce, the Colón Safe City project was part of a broader set of aid-related requests from Panamanian authorities.

Montevideo’s public safety system was similarly negotiated by the Uruguayan central government.⁷⁹ The country’s Ministry of the Interior signed a contract with China’s ZTE in 2008 to provide an integrated system composed of emergency communications and command, data transmission, VoIP, and video surveillance for US\$12 million. In addition, in 2019, Peru’s central government awarded China’s Yangtze Optical Fiber and Cable (YOFC) company with a US\$350 million contract to lay fiber optic cable in Peru’s Arequipa, Áncash, Huánuco, La Libertad and San Martín departments. The Peruvian government will assume the full cost of the project.⁸⁰

Joint ventures and other cooperative relationships with LAC companies also occasionally create opportunities in LAC localities. Huawei teamed up with Argentina’s Telecom Personal for experimental 5G trials in Buenos Aires in 2019, for example.⁸¹ A partnership between Grupo Unión, a regional electricity provider present in Colombia, Peru, Ecuador, Panama, Honduras, and Huawei has aimed to bring eLTE-IoT-enabled Smart Lighting to municipalities.⁸²

C. CHINESE PROVINCE-LED ENGAGEMENT

Chinese provinces and cities have also played a significant role in China’s local-level engagement with LAC, often through “twinning,” or sister cities/provinces arrangements. As Chinese scholar, Xu Shicheng, noted in a 2019 *China Hoy* article, China had established upwards of 175 sister cities or province/state agreements in LAC by the end of 2018.⁸³ The extensive and long-standing relationship between Chile’s Coquimbo region and Henan province and Argentina’s Jujuy province and Guizhou province are documented in the case study section of this report.

Port cities Puerto Montt, Chile and Qingdao, China have also established a productive working relationship. Puerto Montt received a delegation from Qingdao in 2013, headed by Ye Min, deputy director general of the Qingdao Trade Bureau. The delegation also consisted of executives from major electrical engineering, transportation, machinery, clothing, chemicals, and construction companies, including China’s *SEPCOIII* Electric Power Construction Co., Ltd. and Shandong Hongda Construction Machinery Group Co.,Ltd., among others.⁸⁴ Chile’s Valparaíso region and Guangdong province and the cities of Antofogasta, Chile and Tongling, China have also reached various agreements, focusing on commercial cooperation. The latter have been sister cities since 2004. Tongling opened a commercial office in Antofogasta in 2011.⁸⁵

Given their relative economic weight, China’s provinces and cities have also been successful in establishing ties with LAC central governments. Shanghai’s party secretary welcomed national delegations from 18 LAC countries to the Chinese metropolis in mid-September to discuss future cooperation in trade, technology, education and culture, and combatting Covid-19.⁸⁶ And Hainan’s CCPIT assembled representatives from Hainan province to tour LAC nations in 2016. The Hainan delegation co-organized a business symposium with Brazil’s nationally influential São Paulo Federation of Industries (FIESP) and food product promotion events with ProMéxico in Mexico City and the Cuban National Chamber of Commerce in Havana.⁸⁷

D. CHINESE COMPANY OUTREACH AT THE LOCAL LEVEL IN LAC

Chinese companies also engage directly with LAC local-level officials, although it is often difficult to determine whether they do so at the behest of LAC officials or on their own accord. Given the wide range of Chinese actors apparent in specific localities at any given time,

it is difficult to discern whether Chinese companies are opening doors for Chinese government delegations and quasi-governmental entities, such as the CCPIT, or vice versa. As indicated in the case study section of this report, numerous scenarios and timelines are evident in the LAC region.

Regardless of the order of events, a wide range of Chinese companies are developing networks of contacts in LAC localities. This is especially true of Chinese tech companies, although in the tech space many are seemingly responding to demands from local-level authorities, just as the Carnegie Endowment's Steven Feldstein discovered in Thailand.⁸⁸ In other cases, companies such as Huawei, sometimes in conjunction with LAC partners, actively market new technologies to LAC municipalities. Huawei apparently reached out to Cochabamba directly to negotiate the city's Safe City project, striking a strategic cooperation agreement with city authorities. The Cochabamba project, initiated in 2016, was Huawei's first trunk broadband eLTE and first Hexagon CAD project for Bolivia, as well as the largest Safe City project concluded by the company at the time, according to Sciences Po's Álvaro Artigas. It included an eLTE base, portable equipment, vehicle terminals, internet content providers, Hexagon computer-aided design software, networks, and information technology and video surveillance systems. The cost was estimated at over US\$14 million over the different implementation phases.⁸⁹ BYD and other companies have also promoted their products directly to local officials, as do many other international companies.⁹⁰

Huawei has also sought greater market share at the local level in Chile through a cooperative arrangement at the central government level, with the country's National Investigative Police (PDI). A digital cybersecurity agenda was created between Huawei and the PDI targeting organized crime in Chilean cities.⁹¹ This approach, according to Álvaro Artigas, is emblematic of a typical sequence employed by Huawei, "combining expertise dissemination in specific fora, reaching out to governmental authorities when needed and ultimately the conclusion of a memorandum of understanding (MOU) with national investigation police forces."⁹² Partnership with the PDI, as Artigas also noted, is a powerful lever of credibility and legitimacy, which could potentially help to secure specific contracts with local authorities.

In other instances, Chinese provinces and cities, rather than Chinese tech firms, are making the case for Chinese safe city technologies. In 2020, officials from Nanjing, China and Concepción, Chile met on the sidelines of the

Eighth Nanjing World Historical & Cultural Cities Expo to sign a "twinning" agreement. Nanjing authorities recounted their city's impressive safety record, suggesting city-to-city cooperation on citizen security, among other areas.⁹³ The notion of China as a safe place has resonated with some LAC officials, whether the result of Chinese provincial/municipal and company outreach or not. Upon contracting China's ZTE to provide cameras, monitoring centers, emergency services and telecommunications infrastructure, Jujuy officials noted that the provincial capital would soon be "safe like China."⁹⁴

E. LAC LOCAL-LEVEL OUTREACH TO CHINA

A considerable portion of China-LAC local-level engagement is also initiated by **local organizations or officials in LAC**, including governors and mayors. Brazilian states are particularly active in this respect, for example. Julio Serson, the São Paulo state secretary for International Relations, helped construct a partnership between São Paulo's 100-year-old Butantan Institute, a biologic research center, and China's Sinovac for production and advanced testing of vaccines against the coronavirus, building on a long-term cooperative relationship between São Paulo and China.⁹⁵ In May 2019, the governor of Brazil's Bahia state, Rui Costa, traveled to China with at least a hundred other Brazilian government officials and staff. By the end of the trip, Costa struck a US\$7 billion deal with Chinese company Easteel for the construction of an integrated industrial park, consisting of a steel mill, power plant and industrial units. Plans also featured the revitalization of the Port of Aratu, and the construction of a smart city close to the industrial park, for company workers and their families.⁹⁶ The governors of Piauí and Rio Grande do Norte also visited Beijing in 2019 to attract Chinese investments in the clean energy sector.⁹⁷

The governor of São Paulo state, João Doria, has been described as a lobbyist for São Paulo by critics in Brazil, having travelled to the UAE, Qatar, South Korea, and China

A wide range of Chinese companies are developing networks of contacts in LAC localities.

A considerable portion of China-LAC local-level interaction is initiated by local organizations or officials in LAC.

to establish commercial connections. While in China in 2019, the governor signed a MOU with a subsidiary of China Railway Construction Corporation (CRCC). This was viewed as an expression of CRCC interest in the São Paulo-Campinas rail line and metro line No. 6, which had previously been suspended due to a lack of funding. With the China National Cereals, Oils and Foodstuffs Corporation (COFCO), the São Paulo governor also talked about opening the Chinese market to Brazilian ethanol and meat products. Moreover, Doria met with Huawei to negotiate the company's US\$800 million cell phone manufacturing investment in São Paulo state. InvestSP also signed a MOU with Bank of China during the trip to promote investments between China and São Paulo.⁹⁸

Local authorities have also actively marketed certain infrastructure projects to potential Chinese bidders. In their 2020 analysis, Oliveira and Myers describe Chinese company visits to several Brazilian maritime ports in Santa Catarina, São Paulo, Bahia, Pernambuco, Maranhão, and Pará in 2014 and 2015. Local- and state-level officials and port management executives actively lobbied Chinese executives to invest in new terminals or expansion of their own ports, sometimes even referencing the maritime extension of the BRI as justification. Their promotional activities paid off in 2017, when the China Merchants Port Holdings acquired Brazil's second largest container terminal, in Paranaguá, Paraná state, and China Communications Construction Company acquired a Brazilian construction company, along with its 51 percent share in the Port of São Luis.⁹⁹ Around that time, CCCC also began negotiations for port construction projects in Bahia and Santa Catarina states (Porto Sul and TGB), and for a stake in the port of Suape in Pernambuco state.¹⁰⁰

In another example, the governor of Coahuila, Mexico, Miguel Ángel Riquelme Solís, visited China to attend a 2017 seminar entitled *China y América Latina: Diálogo entre civilizaciones*. According to a highly promotional account in Mexican newspaper *Milenio*, Riquelme Solís convinced the seminar's Chinese attendees, including scholars and businesspeople, of the value of engagement

with Coahuila.¹⁰¹ In 2019, possibly as a result of connections made at that conference, Riquelme negotiated a US\$30 million contract with Chinese technology firm Dahua to purchase 1,281 public security cameras for the *Sistema de Video Inteligencia para la Seguridad* program in Coahuila.¹⁰² In April 2020, Dahua donated thermal cameras to the Coahuila government in Mexico as a form of Covid-19 assistance.¹⁰³

Specific Chinese companies are also occasionally invited to attend meetings of LAC officials. Buenos Aires hosted the first Latin American Mayors Forum in March 2015 and invited Chinese electric vehicle company BYD to attend. The forum focused on climate change and sustainable development and attracted more than 20 Latin American mayors, including former Argentine president Mauricio Macri, who was mayor of Buenos Aires at the time, Miguel Ángel Mancera, former mayor of Mexico City, and Eduardo Paes, then-mayor of Rio de Janeiro and chairman of the C40 Cities Climate Leadership Group. Gustavo Fruet, then-mayor of Curitiba, Brazil, presented on the BYD pure electric taxi model e6, which had been adopted by Curitiba.¹⁰⁴

F. OTHER NOTABLE CHANNELS FOR CHINESE SUBNATIONAL ENGAGEMENT

Universities are among the other notable points of contact in China-LAC local-level relations. Examples of China-LAC university networks are provided in the case studies section of this report, but also feature in numerous other city-to-city and province-to-province relationships. In 2018, the University of Bío Bío (UBB) in Chile's Bío Bío region, which has a "twinning" relationship with Hubei province in China, hosted an academic delegation from Hubei, including representatives from the Provincial Department of Science and Technology of Hubei; the School of Biology and Pharmaceuticals of the Wuhan Polytechnic University; the Hubei University School of Computer Science and Informatics; and the Crop Institute of the Hubei Academy of Agricultural Sciences; as well as Minglilai Company CEO Wang Xuejun and Hubei Xun Da Pharmaceutical CEO Li Lonjian. In 2018, a MOU was signed between the UBB, the Hubei Provincial Department of Science and Technology, and Wuhan Polytechnic University to promote collaboration in agricultural technology.¹⁰⁵

Chinese companies also occasionally support local-level academic cooperation. The Federico Santa María Technical University (USM) in Valparaíso, Chile signed an agreement with Huawei in 2017 to certify qualified graduates in

the operation of Huawei technologies.¹⁰⁶ Previously, the Chinese Academy of Sciences South America Center for Astronomy (CASSACA), which was created to enable and enhance communication between Chinese and Chilean scientists, and USM formed a partnership with Huawei to create a data center to store and analyze large quantities of radio data from Chile's Atacama Large Millimeter/sub-millimeter Array (ALMA) telescope.¹⁰⁷

As Ignacio Araya, research associate at the Center for at Chile's Center for Latin American Studies on China (CELC), noted in an October 2020 interview with the author, in the case of Chile, universities also have the potential to play a critical role in advancing commercial ties. This is especially true of universities with business incubators, which "sponsor private sector projects submitted to the Chilean Production Development Corporation (CORFO)." Araya added that universities also occasionally apply for financial support for overseas technology missions, including in China.¹⁰⁸

Confucius Institutes also feature in China's broader approach to local-level engagement. The number of Confucius Institutes in LAC has grown considerably since 2012, when there were only six in the region. By 2017, the number had grown to 39 in 20 countries and to 45 institutes in 25 LAC countries by 2020.¹⁰⁹ Hanban, the Chinese organization tasked with managing Confucius Institutes, commissioned the creation of the Regional Center for Confucius Institutes in LAC in Chile to help institutes in the LAC region "take on a strategic role in the process of deepening relations between the region and China, increasing the value of the region's geographical area of influence and a common language."¹¹⁰ This regional center is one of only three in the world.

In addition to educational channels, **technology and other fairs or expos** in China have played a prominent role in showcasing Chinese technologies and other solutions to would-be central- and local-level consumers. Delegations from LAC central governments, provinces/states, and cities frequently travel to China to participate in these events.

Finally, **overseas Chinese organizations**, such as the Professional Association of Chinese Businesspeople in Chile, have been integral when forging ties in certain cases. The president of the Professional Association of Chinese Businesspeople in Chile, Wang Hexing, worked to both foster the Bío Bío region-Hubei province relationship and to develop Coquimbo commune ties to China, as indicated in the Coquimbo case study below.

CASE STUDIES

Jujuy Province, Argentina

The Jujuy-China connection is one that has been sustained by a range of Chinese and Argentine actors with varied interests, but which was driven in large part by the province's governor, Gerardo Morales. It is also one that is characterized by extensive, two-way interactions. Over the course of just five years, Chinese officials and other actors made upwards of thirteen trips to Jujuy province, and Jujuy and Argentine national government officials made at least eleven visits to China. Between 2015 and 2020, Jujuy province not only developed a highly productive "twinning" relationship with Guizhou province in China, but also established partnerships and struck deals with Chinese businesses in a range of industries. These included a ZTE-built Safe City project,¹¹¹ the Cauchari Solar I, II, and III solar parks,¹¹² and the Cauchari-Olaroz lithium project.¹¹³ Jujuy's partnership with Guizhou also prompted the province to develop its own big data storage capabilities.

Universities are among the other notable points of contact in China-LAC local-level relations.

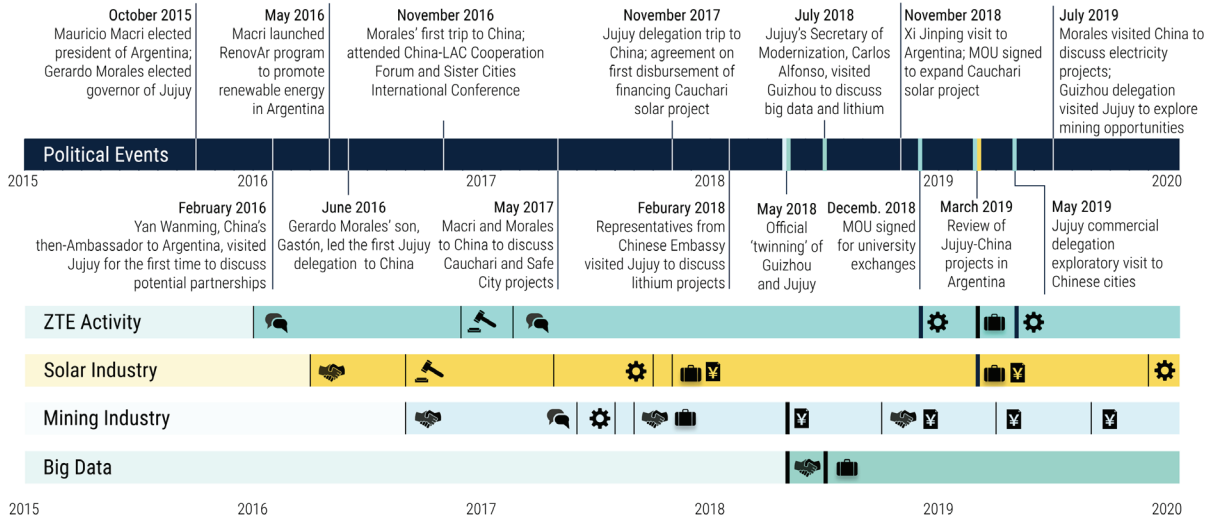
Jujuy's initial interactions with China were largely impelled by Mauricio Macri's election to the presidency of Argentina and Gerardo Morales' simultaneous victory in the Jujuy gubernatorial election. Morales became the first non-Peronist governor in the province since 1983. Strong political ties between Morales and Macri ensured a degree of central government support, both rhetorical and financial, for Jujuy efforts to engage more extensively with China in support of a series of local-level objectives. In addition, Jujuy's proposed Cauchari solar park project aligned well with Macri's green energy promoting RenovAr initiative, which was introduced in May 2016.

Among the first examples of Jujuy-China collaboration was a January 2016 meeting between Eric Xing, then representative of ZTE Argentina, Chile, Paraguay, and Uruguay, and Morales to examine the company's security

FIGURE 4: TIMELINE: JUJUY PROVINCE-CHINA COOPERATION

Source: Author compilation.

Jujuy government interactions with Chinese government organizations, quasi-governmental entities, and businesses (2015-2020)



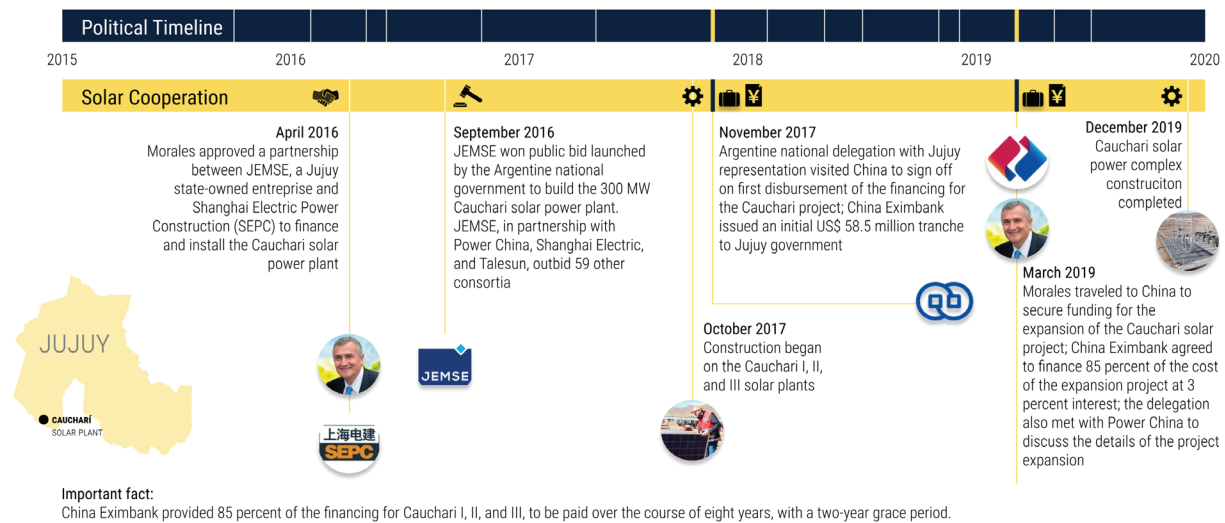
systems and their possible applications in Jujuy province. One month later, the Chinese Ambassador to Argentina, Yang Wanming, visited Morales in Jujuy to discuss possibilities for strengthening commercial and cultural exchanges, including possible Chinese participation in a safe city project, the Jujuy-La Quiaca railway project, which never materialized, and the Cauchari solar project.¹¹⁴

In both June and November 2016, delegations from Jujuy, led by Morales' son and Morales himself, respectively, traveled to China to consult with Chinese officials and to attend the China-LAC Cooperation Forum and the Sister Cities International Conference, as well as to discuss the development of specific projects.

FIGURE 5: TIMELINE: JUJUY PROVINCE-CHINA SOLAR COOPERATION

Source: Author compilation.

Jujuy government partnership with Chinese construction companies to develop the largest solar power project in South America (2015-2020)



In May 2017, Morales approved a framework agreement among Jujuy state-owned enterprise (SOE) JEMSE and China’s Shanghai Electric, Power China, and Talesun for finance and construction of the Cauchari solar project.¹¹⁵ The JEMSE-led partnership was selected over 59 other companies in a 2016 public tender.¹¹⁶

As a result of Jujuy’s growing ties to China, Governor Morales and his team accompanied President Macri on a state visit to Beijing in November 2017. During the trip, the Argentine delegation secured initial financing from Eximbank for the construction of the Cauchari solar plant and advanced the province’s partnership with ZTE on the *Jujuy Seguro e Interconectado* project.¹¹⁷ The Cauchari solar project was finalized in December of 2019, though has yet to produce and distribute energy.¹¹⁸ The *Jujuy Seguro e Interconectado* security project is still being developed, with 600 cameras to be installed in the province as part of the first phase of the project.¹¹⁹

The Jujuy-Guizhou partnership, now three years in the making, originated with a Guizhou delegation visit to Jujuy in November 2017, led by the Guizhou People’s Association for Friendship with Foreign Countries, and including representatives from the OCAO Guizhou local chapter and Pheonix Dorada, a Chinese public relations firm in Argentina.¹²⁰ During the visit, the Guizhou delegation advertised the many similarities between the two regions,

including a history of economic underdevelopment. Morales also noted these similarities, stating, “[Guizhou] work[s] in very similar sectors as our communities, and they also have a lot of ethnic minorities like we do.”¹²¹

Morales then traveled to the Guizhou in May 2018 to sign a “twinning” agreement between the two provinces, promising cooperation on trade, education, tourism, and big data.¹²² Two months later, Jujuy’s Secretary of Modernization, Carlos Alfonso, led a delegation of tech entrepreneurs to the Chinese province to consider opportunities for Jujuy-Guizhou cooperation in in the area of big data.¹²³ During the trip, the delegation visited the Guiyang Big Data Exchange to study Guizhou’s big data trading model. Jujuy representatives also met with big data companies in the province, such as Yunshang Guizhou, Langma Information, Digital China, and Truck Gang, as well as with the University of Guizhou and the Guizhou Institute of Technology.¹²⁴ Big data scholarships were established to promote exchanges of technological know-how in the industry. Chinese tech giant Alibaba, which signed a framework agreement on cloud computing and big data with the government of Guizhou province in 2014, offered to open a permanent office in Guizhou for the purpose of facilitating knowledge transfer on big data issues between the two governments.¹²⁵

Jujuy’s partnerships with China on lithium exploration followed a different trajectory. Chinese interest in Jujuy’s

FIGURE 6: TIMELINE: JUJUY PROVINCE-ZTE COOPERATION

Source: Author compilation.

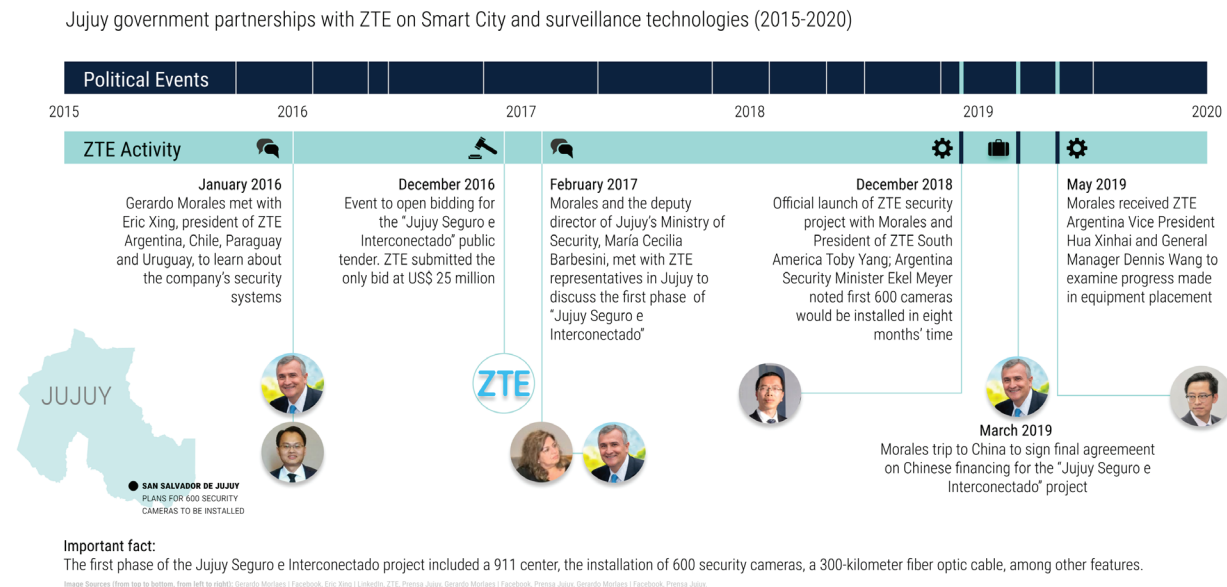
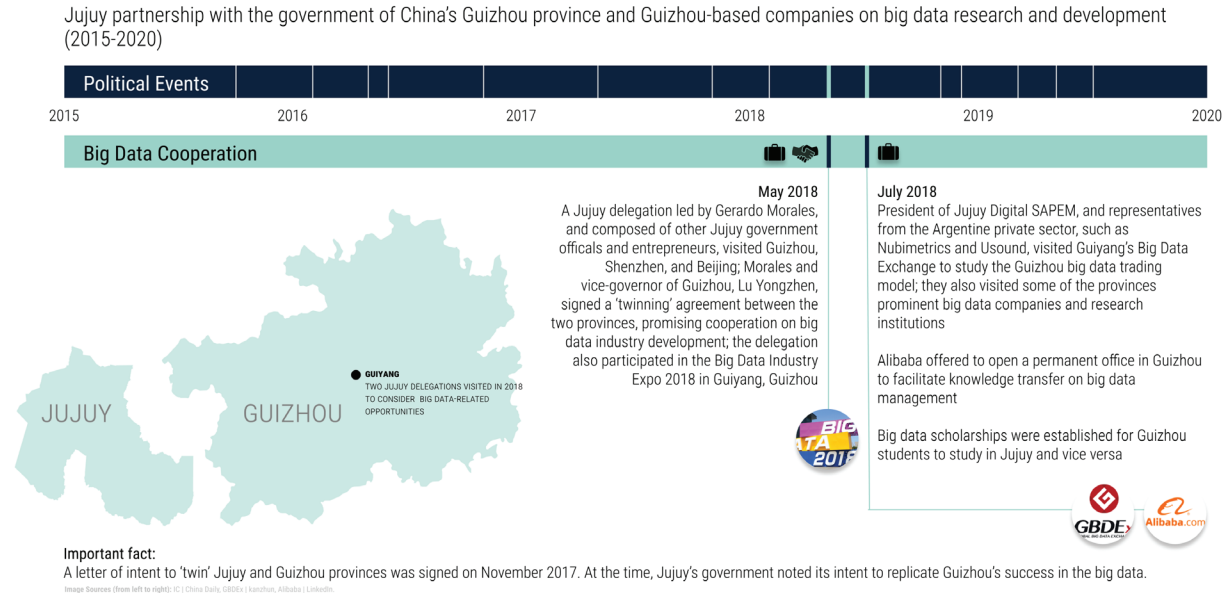


FIGURE 7: TIMELINE: JUJUY PROVINCE-GUIZHOU PROVINCE BIG DATA COOPERATION

Source: Author compilation.



lithium reserves dated back to a 2010 MOU signed by Argentina's Geological Mining Service (Segemar) and the China Geological Service (CGS), promoting scientific exchange through joint research opportunities and capacity building workshops.¹²⁶ In February 2015, then-president Cristina Kirchner signed an agreement with Chinese President Xi Jinping to extend the partnership

between Argentina's Segemar and the China's CGS for scientific exchange, including through joint research opportunities and capacity building workshops.¹²⁷ As a result of this partnership, CGS, Segemar, and the National University of Jujuy began conducting geological studies in September 2017 to evaluate the industrial potential of Jujuy's salt flats.¹²⁸

FIGURE 8: TIMELINE: JUJUY PROVINCE-CHINA LITHIUM COOPERATION

Source: Author compilation.



A few months earlier, in June 2017, Macri and Morales had met with lithium companies operating in Jujuy to talk about a US\$1 billion investment in the sector. Minera Exar, a joint venture between Chilean mining company SQM and Canadian mining company Lithium Americas, announced an investment of US\$160 million to further develop lithium production in salt flats in Cauchari and Olaroz.¹²⁹ One year later, Chinese firm Tianqi Lithium acquired a 24 percent stake in SQM, paying a 12 percent premium. The transaction gave Tianqi Lithium the right to elect three of SQM's eight board members.¹³⁰ Another Chinese company, Ganfeng Lithium, then bought SQM's stake in Minera Exar for 37.5 percent ownership of the company.¹³¹ In April 2019, Ganfeng Lithium increased its stake in Minera Exar to 50 percent. And in February 2020, Lithium Americas accepted Ganfeng's proposal to acquire another one percent stake in the joint venture, for a controlling share of the company. The Caucharí-Olaroz project, now controlled by Ganfeng Lithium, remains on schedule to start production of 40,000 tons per year of battery-quality lithium carbonate by the beginning of 2021.¹³²

Coquimbo Region, Chile

Coquimbo's relationship with China, and more specifically with Henan province, stands in contrast to the Jujuy case study. On the one hand, the relationship began through Chinese provincial outreach, as far back as 2005. Also, despite dozens of visits and a decade-long Coquimbo-Henan regional "twinning" arrangement, very little in the way of concrete deal making has materialized, aside from some academic partnerships and joint research opportunities. The reasons for this relative lack of activity are unclear, but may be related to limited political will in Coquimbo, or to the rather considerable extent of central government decision-making authority in Chile, as compared to Argentina or Brazil.

The partnership began a year after FTA negotiations began between Chile and China, when a Chinese delegation from Henan reached out to Coquimbo. The Chinese delegation, led by then-Governor of Henan, Li Chengyu, visited Coquimbo to promote cooperation on trade, culture, tourism, and mining.¹³³ Two months later, a commercial delegation from Coquimbo traveled to Henan to explore business opportunities for the Chilean region in the Chinese market, especially related to the region's wine industry.¹³⁴ At the end of 2005, a Henan delegation composed of local-level private sector representatives and government institutions, such as the Henan Bureau of Nonferrous Resources, Geology and

Minerals, a prominent actor throughout the relationship, visited Coquimbo and signed agreements in support of exploration and mining of copper.¹³⁵

A year later, yet another commercial delegation from Henan visited Coquimbo. Multiple private and public networking events were held for Coquimbo and Henan entrepreneurs. During the visit, the Henan Bureau of Nonferrous Resources, Geology and Minerals signed another agreement, this time with local mining company Las Ñipas to perform preliminary, joint exploration and mapping of the company's gold, copper, and silver deposits.¹³⁶

The Coquimbo-Henan partnership continued in 2007 with two Coquimbo government delegation visits to Henan province and one Henan government visit to Coquimbo. During the first trip to China that year, the Coquimbo government promoted scientific cooperation to bolster the productivity of mining SMEs in Coquimbo, and met with Chinese companies, research institutes and metals importers.¹³⁷ During the trip, La Serena University representatives agreed to work with the Henan Bureau of Nonferrous Resources, Geology and Minerals on the exploration of Las Ñipas mineral deposits.¹³⁸ The Coquimbo government's second trip to China resulted in the signing of a "twinning" agreement with Henan to foster inter-regional cooperation in mining, agriculture, education, science and technology, and culture.¹³⁹ This time, La Serena University signed an agreement with Henan Polytechnic University, promoting educational exchanges and joint research. La Serena also developed linkages to Henan's Foreign Affairs Office and Ministry of Education.¹⁴⁰

In 2008, despite Coquimbo's efforts and those of other Chilean localities, then-congressman and president of the Chilean Chamber of Deputies' Chile-China Friendship Group, Roberto León, expressed his disappointment in Chilean authorities for not taking full advantage of the Chile's various "twinning" relationships. León blamed Chile's political centralization for the relative lack of productive interaction:

I think it is essential to follow up [with these agreements]. The Chinese always have a good disposition, but if we, their counterpart, who are those that most benefit from these twinning relations, do not make an effort and have no interest in continuing, these agreements are little more than documents in an archive...Although we are seen as important on the world stage and as a serious country, we are still in our infancy as concerns the internationalization of our regions. [Our regions] are not capable of assuming their level of importance and Chile's very centralized organization does not allow for the development of more independence in different areas.¹⁴¹

FIGURE 9: TIMELINE: COQUIMBO REGION-HENAN PROVINCE COOPERATION, 2004-2011

Source: Author compilation.

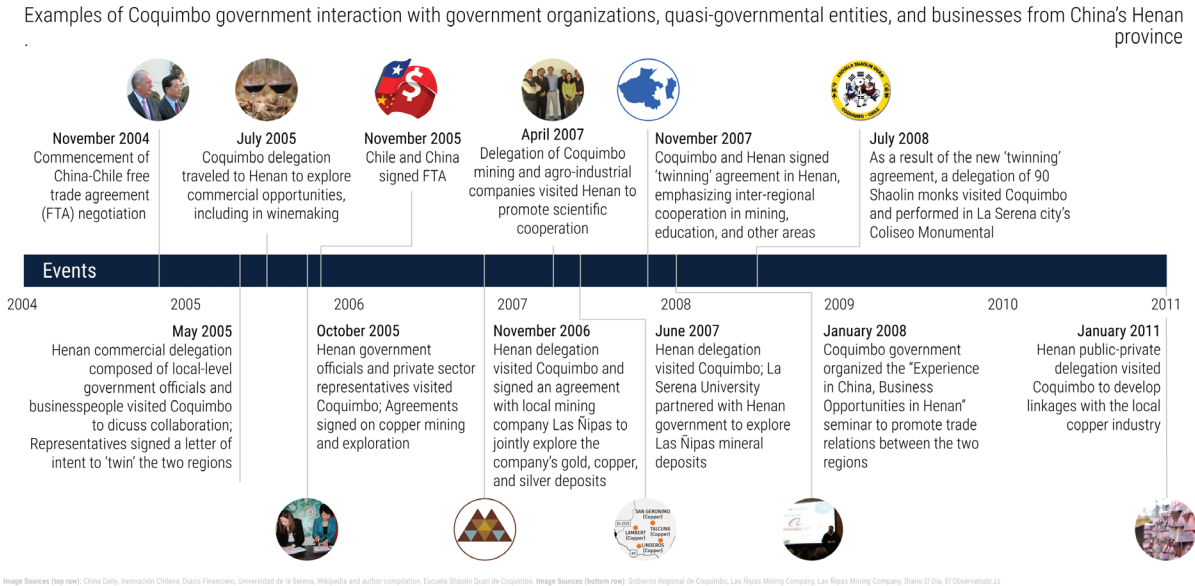


Image Sources (top row): China Daily, Innovación Chilena, Diario Financiero, Universidad de la Serena, Wikipedia and author compilation, Escuela Shaolin Juan de Coquimbo. Image Sources (bottom row): Gobierno Regional de Coquimbo, Las Nipas Mining Company, Las Nipas Mining Company, Diario El Día, El Observador, 27

Despite León's concerns, very little materialized from the Coquimbo-Henan dynamic after 2008. However, interaction continued in 2011, when a public-private delegation from Henan visited Coquimbo to talk about the possibility of creating new linkages with the local copper industry. Li Jianzhi, deputy director of the Office of Foreign Affairs of Henan Province, noted an interest in purchasing raw copper directly from domestic producers and exporting heavy machinery to Chile.¹⁴²

Then, in July 2014, Coquimbo hosted the Professional Association of Chinese Businesspeople in Chile, an organization already active throughout the country generating people-to-people linkages between subnational entities and Chinese corporate actors. The president of the organization, Wang Hexing, visited then-mayor of Coquimbo commune, Cristian Galleguillos, to develop an agreement to promote commercial and cultural exchange.¹⁴³

Nearly four years later, the Coquimbo and Henan representatives began considering joint work on the development of the bi-national (Chile-Argentina) Agua Negra tunnel project, which would connect the Coquimbo region with San Juan province in Argentina, as part of the so-called Corredor Bioceánico Central (CBC). A related seminar entitled *Plataforma de Inversión y Puente del Corredor Bioceánico Central en el Asia Pacífico*¹⁴⁴ was held in Coquimbo, with attendance by the Chinese Ambassador

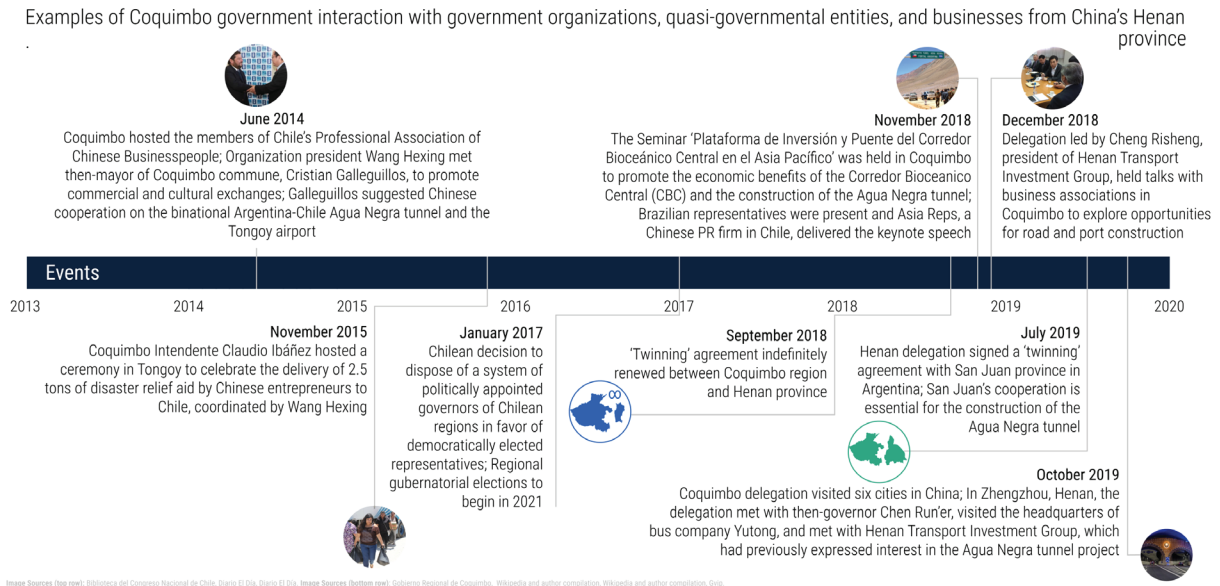
to Chile, Xu Bu, and the Minister of Planning and Economic Development of San Juan, Argentina, Andrés Díaz Cano, to examine the economic benefits of the Corredor Bioceánico Central (CBC) and the construction of the Agua Negra tunnel.¹⁴⁵ Yung Han Shen, General Manager of Asia Reps,¹⁴⁶ a Chinese public relations firm based in Chile, was a keynote speaker at the event. She highlighted the importance of the CBC for China and the regional economy.¹⁴⁷

By the end of 2018, executives from various Chinese companies held talks with business associations in Coquimbo to explore additional opportunities for road and port construction. Cheng Risheng, president of Henan Transport Investment Group, a transportation infrastructure construction services company, led a delegation to Coquimbo, for example.¹⁴⁸ During a meeting with the Chinese company, Luis Valdebenito, manager of the Industrial Corporation for Development of the Coquimbo Region (CIDERE Coquimbo) reportedly said, "Progress has been made in political will and now we are building business trust to generate new business."¹⁴⁹

In 2019, Henan worked to advance Chinese participation in the Agua Negra tunnel through visits to San Juan province in Argentina and by signing a "twinning" agreement there.¹⁵⁰ Coquimbo also continued to entertain the prospect of Henan involvement in the tunnel. In October 2019, a delegation from Coquimbo composed of

FIGURE 10: TIMELINE: COQUIMBO REGION-HENAN PROVINCE COOPERATION, 2013-2020

Source: Author compilation.



academics, private sector representatives and government officials traveled to cities in Asia.¹⁵¹ While in Zhengzhou, Henan, the delegation met with Henan governor Chen Run'er, visited the headquarters of bus company Yutong, and met with Henan Transport Investment Group, which had previously expressed interest in the Agua Negra tunnel project. At present, the project is still under consideration by officials in Chile and Argentina.

THE EFFECTS OF CHINA'S SUBNATIONAL ENGAGEMENT WITH LAC

China's local-level engagement is certainly capable of creating more opportunities for Chinese companies, including by facilitating—over the course of many years, in some cases—networks of personal contacts in LAC countries that increasingly trust in China, and are inclined to seek out Chinese support for key infrastructure projects or other endeavors. It is unclear to what extent China's commitment to local-level outreach has so far

considerably boosted China-LAC deal making, however. In Jujuy, Argentina, as noted above, a wide range of deals was struck with Chinese companies and other entities. In other instances concrete results are relatively limited. The Coquimbo case is especially exemplary in this respect, reflecting a commitment to long-term, local-level partnership despite a relative lack of concrete commercial outcomes. However, efforts to engage with a wide range of actors at the local level would appear to create an increasingly permissive environment for future Chinese activity, with local-level engagement sometimes reinforcing efforts at the central government level and vice-versa.

China's record in terms of political outreach and image building at the local level is also seemingly mixed, although some of China's successes in this area are clearly documented in academic literature. Adrian Hearn finds that specific political objectives are closely "intertwined with Chinese commercial and cultural goals in Mexico." According to Hearn, in 2001, "the OCAO established the 'Chinese Peaceful Pro-unification Alliance of Baja California,' which the State's three Chinese associations (Tijuana, Mexicali, and Ensenada) immediately joined, adopting Mandarin Chinese [rather than the Cantonese that was used in most cases] as their operating language, as a condition of entry."¹⁵² Community leaders viewed the language adjustment, and an additional request that all Chinese associations break linkages with Taiwan, as a

It is unclear to what extent China's commitment to local-level outreach has so far considerably boosted China-LAC deal making.

necessary compromise to secure continued support from the Chinese MOFA.

Whether China's local-level activities are limiting opportunities for other international or domestic companies largely depends on the extent to which deals are being made, but also on the sector in which Chinese companies are engaging. In some cases, few other commercial actors are interested in proposed projects. In the case of the Agua Negra tunnel, however, Henan Transport Investment Group has had an advantage as a possible partner in the project—the result of Coquimbo's strong ties to Henan. Other interested parties have included CRS, a consortium comprising China Railway Tunnel Group (a subsidiary of CREC) and Benito Roggio e Hijos; Ingeniería y Construcción Sigdo Koppers and OHL; and Rovella and Condotte.¹⁵³ In addition, the direct channels that Huawei, ZTE, and other companies have established at the local level, supported at times by Chinese government and quasi-governmental outreach, could advantage them in procurement processes or at various phases of project development.

In other cases, U.S.-China competition is possibly encouraging of enhanced Chinese local-level activity. Huawei's US\$800 million smart phone factory in Brazil's São Paulo state was prompted not only by existing, extensive ties between São Paulo state and China, but also by ongoing U.S.-China tensions related to 5G telecoms deployment. The factory was announced as Brazil was considering Huawei as a possible bidder in the country's upcoming 5G auction.¹⁵⁴

Chinese debt issuance to local-level governments for Chinese projects is rare, and so far has not been clearly problematic for localities. China's concessional loan to Jujuy, which covered 85 percent of the Cauchari solar project, was generally regarded as a good deal at the time, even though Jujuy already held relatively high levels of debt, according to the *Buenos Aires Times*.¹⁵⁵ Depending on

the loan terms, more financing at the local level could be problematic for already highly indebted localities. Local-level demand for Chinese finance may rise in the coming years, as LAC constituencies are faced with the prospect of economic austerity measures.

Whether LAC locales are broadly benefitting from enhanced China-LAC commercial engagement very much depends on the quantity and especially the quality of deals being struck. As Gustavo Oliveira noted, China has put a lot of faith in the notion that local-level leaders are acting in the best interest of their constituents.¹⁵⁶ Yet "pet projects" are no doubt just as apparent at the local level as they are at the central one—as are skimming and corruption, according to scholars Dan Banik and Benedicte Bull.¹⁵⁷

Chinese actors also occasionally face challenges when trying to execute projects at the local level. For example, as Eduardo Velosa of the Pontificia Universidad Javeriana in Colombia noted, a drilling contract for a Sinopec-funded domestic oil exporter, Mansarovar Energy, was temporarily struck down in 2017 by a referendum in the city of Cumaral (population around 20,000).¹⁵⁸ In addition, in 2011, the governor of Argentina's Rio Negro province sought to lease 300,000 hectares of agricultural land to Heilongjiang Beidahuang Nongken Group Co, but the project was cancelled following backlash from the press, academics, and the broader Argentine public. The backlash even led to a change in Argentine land law.¹⁵⁹ Local resistance to Chinese projects is also evident throughout the Amazon region. There are plenty of places in LAC where China's local-level charm offensive is less than effective.

Another notable challenge, as mentioned by Gustavo Oliveira in an interview with the author, is that local connections generally fade when new local leaders are elected or appointed. In the case of Brazil, at least, there is often a considerable lack of transition between exiting and new administrations at the local level.¹⁶⁰ Governmental transition in Coquimbo over the past 15 years may very well have limited deal making with Henan representatives (see Coquimbo case study).

Chinese government and quasi-governmental organizations and Chinese companies will continue to prioritize local-level engagement, however, based on a belief that "shaping the external environment" through the cultivation of networks of friendly contacts will create key opportunities for Chinese actors in the future, whether in the commercial or political realms. As Michele Acuto, et al. indicate, certain aspects of Chinese local-level engagement, including city diplomacy, are clearly described in Chinese

literature as a means to attain China's national diplomatic goals,¹⁶¹ whether shaping perceptions of Chinese technology, reducing Taiwan's influence, or advancing other policy interests. At the very least, as a result of extensive "multi-layered" and "multi-tiered" diplomacy, China is viewed not as distantly and enigmatically as it once was by LAC communities. By building linkages at every level, China has sought to demonstrate to LAC countries that Chinese officials, people, businesses, and products can be relied upon, and that there are benefits to be enjoyed for those who are willing to engage.

CONCLUSION

Local-level engagement is becoming an increasingly central feature of the broader China-LAC relationship, but the nature of this engagement is exceedingly wide-ranging, featuring a complex cast of characters with varied interests, whether short- or long-term, commercial or political, or exploratory or directed. There is ample evidence of outreach from both LAC and Chinese actors to advance clearly articulated projects, for example, as exemplified in the Jujuy case study. In other instances, China's local-level activity in LAC is seemingly undertaken without specific commercial objectives in mind, but rather as a long-term exercise in trust- and network-building. Chinese quasi-governmental and even company representatives have been present in certain communities for many years, for example, developing key linkages to prominent and up-and-coming government officials, business leaders, academics, and others who may eventually be in a position to facilitate key deals or else to support Chinese policy-related objectives. The Coquimbo-Henan relationship was cultivated for upwards of 15 years, laying the groundwork for possible progress on mining or infrastructure agreements.

China's approach at the local level is not an efficient or even necessarily sustainable one, employing a wide range of government and quasi-governmental representatives to shape views of China in distinct localities and over the course of decades, in some cases. Indeed, the current extent of Chinese engagement at the local level, in addition to broader diplomatic initiatives, will be challenging to maintain. For one thing, the human resource allocation is extensive. In addition, China's outward foreign direct investment (OFDI) has slowed for several years now. In the current economic environment, structural economic limitations in China could very well limit OFDI even further.

Local-level outreach remains appealing to Chinese entities, however, especially amidst growing U.S.-China competition. Administrative-level deal making isn't as high profile as central-government negotiations have tended to be, obscuring some of these deals from the international "spotlight." Moreover, LAC local-level officials have in many cases been less sensitive to geopolitical constraints, sometimes engaging with Chinese government officials and commercial representatives regardless of the state of their country's bilateral relations with China. São Paulo Governor João Doria's outreach to China is among the more prominent examples. As it stands, local government leaders in LAC continue to view China as a critical partner in the development of key infrastructure and other projects.

Local connections sometimes fade when new local leaders are elected or appointed.

Subnational governments in LAC are also optimal partners for Chinese tech companies with products and services that are designed with administrative-level actors in mind. When possible, ZTE and Huawei have certainly sought to introduce their smart cities and safe cities technologies directly to the local-level consumers who would potentially use them, even while also forging ties with central-level authorities and related ministries.

Regardless of the motivations, local-level activity will continue to feature as part of China's broader, "multi-tiered" approach to diplomacy in LAC and other regions. It will also continue to be more effective in some LAC countries than others. Argentina, Brazil, Chile, and Mexico are among the countries in LAC with extensive local-level Chinese activity, due in part to the size of their economies, but also to an interest in cultivating positive views of China among local-level governments and commercial actors in these nations, as has been the case in Mexico, in particular.¹⁶² These countries also attract considerable local-level engagement because of the relative decision-making authority of their provinces/states, importantly. "Chinese entities increasingly see considerable value in deal making at the sub-national level," as Chile's Ignacio Araya noted when speaking to the author, especially among the region's more decentralized political systems.¹⁶³

Whatever the level of activity at the local level, we should expect China to continue to engage across the entire region and at different levels of government. Deals will continue to materialize through contacts with LAC localities, including in the areas of energy, infrastructure, mining, and technology. Efforts will also be made to shape the external environment in China's favor at all levels of

government, whether on commercial or political matters. Moreover, it is likely that Beijing is still determining what elements of its extensive diplomatic apparatus are most effective in LAC. China's approach to diplomatic engagement at all administrative levels in LAC will be refined in the coming months and years with increasingly extensive, on-the-ground experiences in mind.

APPENDIX A:

Sample List of Trade and Investment Activities Carried out by Chinese Embassies and Consulates in LAC

ARGENTINA

- *Contact(s)*: San Juan province, Argentina; Deputy Governor of San Juan, Marcelo Jorge Lima

Summary: From November 7-8, 2017, Counselor Zhai Chengyu visited San Juan province, where he attended the first International San Juan Infrastructure Forum.¹⁶⁴ During his trip, he “listened the San Juan Provincial Government’s introduction of the province’s key infrastructure projects,’ led ten Chinese enterprises on a visit to the Deputy Governor of San Juan Marcelo Jorge Lima, and promoted related companies.

- *Contact(s)*: Chubut province; Provincial Minister for Production, Pablo Mamet; Representative of Ministry of Industries, Christian Fraysse

Summary: On November 14, 2017, Counselor Zhai Chengyu met with local officials from Chubut province, in order to “strengthen China’s economic and commercial cooperation with Chubut, and to encourage Chinese firms to invest in the province.”¹⁶⁵ The visit took place several months after Provincial Governor Mario Das Neves published an article opposing China’s construction of a nuclear power plant in nearby Rio Negro Province.¹⁶⁶

- *Contact(s)*: Rio Negro province; Governor of Rio Negro, Alberto Weretilneck

Summary: On September 11-12, 2016, Counselor Zhai Chengyu visited Rio Negro province, where he met with local authorities, including Provincial Governor Alberto Weretilneck.¹⁶⁷ During the visit, Chai “demanded” that local authorities increase their police presence, in order to ensure the safety of staff and property of nearby China Metallurgical Group Corporation’s (MCC Group’s) activities in the nearby city of Sierra Grande.

BRAZIL

- *Target(s)*: Minas Gerais State Development Bank

Summary: August 28, 2019, Ambassador Yang Wanming met with the President of Brazil’s Minas Gerais State Development Bank.¹⁶⁸ During the meeting, the two discussed “strengthening cooperation between the state and China in the fields of finance, mining, agriculture, manufacturing, science and technology, humanities, and law.”

- *Contact(s)*: Santa Catarina State; Brazil-China Exchange and Foreign Trade Development Association (IBCDE); Brazil-China Economic and Trade Promotion Association (CBCDE)

Summary: From December 13-16, 2006, Ambassador Chen Duqing visited Santa Catarina State, at the invitation of the Brazil-China Exchange and Foreign Trade Development Association (IBCDE) in Rio Grande do Sul.¹⁶⁹ During the trip, he also traveled to Itajai, Jaragua Do Sul, and Joinville, where he met with a number of mayors and businesses leaders, as well as the facilities of Brazil’s WEG Industries. WEG acquired Chinese factory in February 2005.¹⁷⁰

CHILE

- *Contact(s)*: Los Rios region

Summary: From January 18-20, 2020, Ambassador Xu Bu visited Los Rios region, at the invitation of speaker of the House of Representatives, Ivan Flores.¹⁷¹ During the visit, he met with entrepreneurs in the fields of agriculture, forestry, animal husbandry, fishery, mechanical engineering, and tourism services.

- *Contact(s)*: Los Lagos region, Osorno City, Puerto Varas City, Llanquihue City

Summary: From September 1-3, 2019, Ambassador Xu Bu visited Los Lagos region, where he met with the mayors of Osorno City, Puerto Varas, and Llanquihue, among other officials.¹⁷² During the tour, Xu emphasized the importance of local exchanges, as well as “cooperation in agriculture and animal husbandry.”

COLOMBIA

- *Contact(s):* Boyaca province; Advisors to Boyaca Provincial Government

Summary: On January 21, 2019, Ambassador Li Nianping met with numerous advisors of the Boyaca Provincial Government, including the province’s international relations advisor, regional advisor, the director of the agriculture and fisheries development department.¹⁷³ During the meeting, the two sides discussed “cooperation in trade, culture, agriculture, education, poverty reduction, and other fields.”

- *Contact(s):* Choco province; Governor of Choco province, Jhoany Carlos Alberto

Summary: From December 8-10, 2018, Ambassador Li Nianping visited Choco province, at the invitation of Governor Jhoany Carlos Alberto.¹⁷⁴ During the visit, Ambassador Li met with the governor, as well as the mayors of Quibdo City and Bahia Solano, and held discussions with local private entrepreneurial associations, and non-governmental organizations.

COSTA RICA

- *Contact(s):* Puerto Viejo de Talamanca city; City Council of Puerto Viejo de Talamanca city

Summary: From November 22-23, 2019, Ambassador Tang Heng, visited the city of Puerto Viejo de Talamanca.¹⁷⁵ During the meeting, Tang attended a meeting of municipal councilors, and stated that he is “willing to actively promote friendly exchanges between China’s local provinces and cities and Talamanca.”

- *Contact(s):* Barva city; Barva Mayor; Barva city Legislative Assembly

Summary: On January 11, 2019, Ambassador Tang Heng invited Barva City where he met with the mayor and members of the local legislative assembly.¹⁷⁶ He

attended a special meeting of the city council. During the visit, Tang also accompanied toured the city’s proposed public facilities projects, and visited the Costa Rica Coffee Research Institute.

MEXICO

- *Contact(s):* Durango state; Governor of Durango, Jose Rosas Aispuro; Durango state Economic Office

Summary: On October 30th, 2019, Ambassador Zhu Qingqiao met with the governor of Durango state, Jose Rosas Aispuro, as well as the head of the state’s economic office and the state’s representative in Mexico City.¹⁷⁷ During the meeting, Zhu noted that Durango has “huge development potential in the fields of minerals, renewable energy, and infrastructure construction,” and that the embassy is actively ready to promote exchanges and cooperation between China and Durango. Reports noted the presence of staff from the embassy’s commercial section during the meeting.

- *Contact(s):* Chiapas state; Governor of Chiapas, Rutilio Escandon

Summary: From December 7-9, 2018, Ambassador Qiu Xiaoqi visited the state of Chiapas, Mexico.¹⁷⁸ There he met with the new governor Rutilio Escandon and other key officials of the state government and attended the inauguration ceremony of the Governor.

PANAMA

- *Contact(s):* Panama province; Governor of Panama, Rafael Pino-Pinto

Summary: On December 20, 2017, Liu Bo, Charge d’affaires of the Chinese Embassy in Panama, met with the governor of Panama province, Rafael Pino-Pinto.¹⁷⁹ During the visit, Liu stated that the Chinese embassy is “willing to maintain close contact with Panama province to promote the deepening of bilateral local exchanges.”

- *Contact(s):* Colón City, Colón province, Mayor of Colón

Summary: On March 11, 2014, the representative of China’s Trade Development Office in Panama, Wang Weihua went to Colón province, where he met with the Governor of Colón province, the Mayor of Colón City and the Chief of Colón Police.¹⁸⁰ The three introduced

the development and public security situation of Colón, as well as the Colón Free Trade Zone, adding that they hoped that more Chinese companies would come to Colón for investment and trade and other commercial activities. Several Chinese companies, including Huawei, have secured significant contracts in Colón since then. It should be noted that, at the time, China and Panama did not maintain formal diplomatic relations. Later, on November 26, 2019, Chinese Ambassador to Panama, Wei Qiang, led a delegation of Chinese companies operating in Panama to visit Colón, where they met with the Governor of Colón province, Irasema de Dale, and executive board member of the Colón Free Trade Zone, Giovanni Ferrari.¹⁸¹ CCPIT representatives also took part in the meeting.

PERU

- *Contact(s)*: Lima city; Lima Mayor, Luis Castaneda Lossio

Summary: On October 13, the Ambassador to Peru Jia Guide met with the mayor of Lima, Luis Castaneda Lossio, with whom he discussed views on bilateral relations and friendly city exchanges.¹⁸²

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